

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**
Washington, D.C. 20549

FORM 20-F/A
Amendment No. 1

REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR (g) OF THE SECURITIES EXCHANGE ACT OF 1934

OR

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE FISCAL YEAR ENDED DECEMBER 31, 2012

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

OR

SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Commission file number: 001-32696

COPA HOLDINGS, S.A.

(Exact name of Registrant as Specified in Its Charter)

Not Applicable

(Translation of Registrant's Name Into English)

Republic of Panama

(Jurisdiction of Incorporation or Organization)

Avenida Principal y Avenida de la Rotonda, Costa del Este
Complejo Business Park, Torre Norte
Parque Lefevre, Panama City
Panama

(Address of Principal Executive Offices)

Joseph Putaturo

Complejo Business Park, Torre Norte
Parque Lefevre, Panama City, Panama
+507 304 2677 (Telephone)
+507 304 2535 (Facsimile)
(Registrant's Contact Person)

Securities registered or to be registered pursuant to Section 12(b) of the Act

Title of Each Class:
Class A Common Stock, without par value

Name of Each Exchange On Which Registered
New York Stock Exchange

Securities registered or to be registered pursuant to Section 12(g) of the Act:
None

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act:
None

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report: At December 31, 2012, there were outstanding 44,036,470 shares of common stock, without par value, of which 33,098,345 were Class A shares and 10,938,125 were Class B shares.

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934. Yes No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of “accelerated filer and non-accelerated filer” in Rule 12b-2 of Exchange Act. (Check one):

Large Accelerated Filer Accelerated Filer Non-accelerated Filer

Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing:

U.S. GAAP International Financial Reporting Standards as issued Other
by the International Accounting Standards Board

If “Other” has been checked in response to the previous question, indicate by check mark which financial statement item the registrant has elected to follow:

Item 17 Item 18

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

EXPLANATORY NOTE

This Amendment No. 1 (“Amendment No. 1”) to the Annual Report on Form 20-F of Copa Holdings, S.A. (“Copa”) for the fiscal year ended December 31, 2012, filed on April 29, 2013 (the “Original Form 20-F”) is being filed solely to correct a typographical error contained in Item 18 by including the name of Copa’s independent registered public accounting firm in the audit report dated April 29, 2013. The other portions of Item 18 were filed as part of the Original Form 20-F and are being refiled as part of this Amendment No. 1 without change.

This Amendment No. 1 consists of a cover page, this explanatory note, Item 18, Item 19 and the signature pages and required certifications of the chief executive officer and chief financial officer of Copa.

Except for the matters described above, this Amendment No. 1 does not modify or update disclosure in, or exhibits to, the Original Form 20-F.

Item 18. Financial Statements

See our consolidated financial statements beginning on page F-1.

Item 19. Exhibits

- 3.1** English translation of the Articles of Incorporation (Pacto Social) of the Registrant
- 10.1***† Aircraft Lease Agreement, dated as of October 1, 1998, between First Security Bank and Compañía Panameña de Aviación, S.A., in respect of Boeing Model 737-71Q Aircraft, Serial No. 29047
- 10.1(2008) Supplemental Agreement dated as of May 13, 2008 by and among Copa Holdings, S.A. Corporation de Inversiones Aereas, S.A. and Continental Airlines, Inc.
- 10.2***† Letter Agreement dated as of November 6, 1998 amending Aircraft Lease Agreement, dated October 1, 1998, between First Security Bank and Compañía Panameña de Aviación, S.A., in respect of One Boeing Model 737-71Q Aircraft, Manufacturer's Serial No. 29047
- 10.3***† Aircraft Lease Amendment Agreement dated as of May 21, 2003 to Aircraft Lease Agreement, dated October 1, 1998, between First Security Bank and Compañía Panameña de Aviación, S.A., in respect of Boeing Model 737-71Q Aircraft, Serial No. 29047
- 10.4***† Aircraft Lease Agreement, dated as of October 1, 1998, between First Security Bank and Compañía Panameña de Aviación, S.A., in respect of Boeing Model 737-71Q Aircraft, Serial No. 29048
- 10.5***† Letter Agreement dated as of November 6, 1998 amending Aircraft Lease Agreement, dated as of October 1, 1998, between First Security Bank and Compañía Panameña de Aviación, S.A., in respect of Boeing Model 737-71Q Aircraft, Serial No. 29048
- 10.6***† Aircraft Lease Amendment Agreement dated as of May 21, 2003 to Aircraft Lease Agreement, dated October 1, 1998, between First Security Bank and Compañía Panameña de Aviación, S.A., in respect of Boeing Model 737-71Q Aircraft, Serial No. 29048

- 10.7**† Aircraft Lease Agreement, dated as of November 18, 1998, between Aviation Financial Services Inc. and Compañía Panameña de Aviación, S.A., Boeing Model 737-700 Aircraft, Serial No. 28607
- 10.8**† Letter Agreement No. 1 dated as of November 18, 1998 to Aircraft Lease Agreement, dated November 18, 1998, between Aviation Financial Services Inc. and Compañía Panameña de Aviación, S.A., Boeing Model 737-700 Aircraft, Serial No. 28607
- 10.9**† Letter Agreement No. 2 dated as of March 8, 1999 to Aircraft Lease Agreement, dated November 18, 1998, between Aviation Financial Services Inc. and Compañía Panameña de Aviación, S.A., Boeing Model 737-700 Aircraft, Serial No. 28607
- 10.10**† Lease Extension and Amendment Agreement dated as of April 30, 2003, to Aircraft Lease Agreement, dated November 18, 1998, between Aviation Financial Services Inc. and Compañía Panameña de Aviación, S.A., Boeing Model 737-700 Aircraft, Serial No. 28607
- 10.11**† Aircraft Lease Agreement, dated as of November 18, 1998, between Aviation Financial Services Inc. and Compañía Panameña de Aviación, S.A., Boeing Model 737-700 Aircraft, Serial No. 30049
- 10.12**† Letter Agreement No. 1 dated as of November 18, 1998 to Aircraft Lease Agreement, dated November 18, 1998, between Aviation Financial Services Inc. and Compañía Panameña de Aviación, S.A., Boeing Model 737-700 Aircraft, Serial No. 30049
- 10.13**† Letter Agreement No. 2 dated as of March 8, 1999 to Aircraft Lease Agreement, dated November 18, 1998, between Aviation Financial Services Inc. and Compañía Panameña de Aviación, S.A., Boeing Model 737-700 Aircraft, Serial No. 30049
- 10.14**† Lease Extension and Amendment Agreement dated as of April 30, 2003, to Aircraft Lease Agreement, dated November 18, 1998, between Aviation Financial Services Inc. and Compañía Panameña de Aviación, S.A., Boeing Model 737-700 Aircraft, Serial No. 30049
- 10.15**† Aircraft Lease Agreement, dated as of November 30, 2003, between International Lease Finance Corporation and Compañía Panameña de Aviación, S.A., New B737-700 or 800, Serial No. 30676
- 10.16**† Aircraft Lease Agreement, dated as of March 4, 2004, between International Lease Finance Corporation and Compañía Panameña de Aviación, S.A., New B737-700 or 800, Serial No. 32800
- 10.17**† Aircraft Lease Agreement dated as of December 23, 2004, between Wells Fargo Bank Northwest, N.A. and Compañía Panameña de Aviación, S.A., in respect of Boeing B737-800 Aircraft, Serial No. 29670
- 10.18**† Embraer 190LR Purchase Agreement DCT-006/2003 dated as of May 2003 between Embraer— Empresa Brasileira de Aeronáutica S.A. and Regional Aircraft Holdings Ltd.
- 10.19**† Letter Agreement DCT-007/2003 between Embraer—Empresa Brasileira de Aeronáutica S.A. and Regional Aircraft Holdings Ltd., relating to Purchase Agreement DCT-006/2003
- 10.20**† Letter Agreement DCT-008/2003 between Embraer—Empresa Brasileira de Aeronáutica S.A. and Regional Aircraft Holdings Ltd., relating to Purchase Agreement DCT-006/2003
- 10.21** Aircraft General Terms Agreement, dated November 25, 1998, between The Boeing Company and Copa Holdings, S.A.
- 10.22**† Purchase Agreement Number 2191, dated November 25, 1998, between The Boeing Company and Copa Holdings, S.A., Inc. relating to Boeing Model 737-7V3 & 737-8V3 Aircraft

- 10.23**† Supplemental Agreement No. 1 dated as of June 29, 2001 to Purchase Agreement Number 2191 between The Boeing Company and Copa Holdings, S.A.
- 10.24**† Supplemental Agreement No. 2 dated as of December 21, 2001 to Purchase Agreement Number 2191 between The Boeing Company and Copa Holdings, S.A.
- 10.25**† Supplemental Agreement No. 3 dated as of June 14, 2002 to Purchase Agreement Number 2191 between The Boeing Company and Copa Holdings, S.A.
- 10.26**† Supplemental Agreement No. 4 dated as of December 20, 2002 to Purchase Agreement Number 2191 between The Boeing Company and Copa Holdings, S.A.
- 10.27**† Supplemental Agreement No. 5 dated as of October 31, 2003 to Purchase Agreement Number 2191 between The Boeing Company and Copa Holdings, S.A.
- 10.28**† Supplemental Agreement No. 6 dated as of September 9, 2004 to Purchase Agreement Number 2191 between The Boeing Company and Copa Holdings, S.A.
- 10.29**† Supplemental Agreement No. 7 dated as of December 9, 2004 to Purchase Agreement Number 2191 between The Boeing Company and Copa Holdings, S.A.
- 10.30**† Supplemental Agreement No. 8 dated as of April 15, 2005 to Purchase Agreement Number 2191 between The Boeing Company and Copa Holdings, S.A.
- 10.31**† Maintenance Cost per Hour Engine Service Agreement, dated March 5, 2003, between G.E. Engine Services, Inc. and Copa Holdings, S.A.
- 10.32**† English translation of Aviation Fuel Supply Agreement, dated July 18, 2005, between Petróleos Delta, S.A. and Compañía Panameña de Aviación, S.A.
- 10.33**† Form of Amended and Restated Alliance Agreement between Continental Airlines, Inc. and Compañía Panameña de Aviación, S.A.
- 10.34** Form of Amended and Restated Services Agreement between Continental Airlines, Inc. and Compañía Panameña de Aviación, S.A.
- 10.35* Form of Second Amended and Restated Shareholders' Agreement among Copa Holdings, S.A., Corporación de Inversiones Aéreas, S.A. and Continental Airlines, Inc.
- 10.36** Form of Guaranteed Loan Agreement
- 10.37* Form of Amended and Restated Registration Rights Agreement among Copa Holdings, S.A., Corporación de Inversiones Aéreas, S.A. and Continental Airlines, Inc.
- 10.38** Form of Copa Holdings, S.A. 2005 Stock Incentive Plan
- 10.39** Form of Copa Holdings, S.A. Restricted Stock Award Agreement
- 10.40** Form of Indemnification Agreement with the Registrant's directors
- 10.41** Form of Amended and Restated Trademark License Agreement between Continental Airlines, Inc. and Compañía Panameña de Aviación, S.A.
- 10.42*† Embraer 190 Purchase Agreement COM 0028-06 dated February 2006 between Embraer—Empresa Brasileira de Aeronáutica S.A. and Copa Holdings, S.A. relating to Embraer 190LR aircraft
- 10.43*† Letter Agreement COM 0029-06 to the Embraer Agreement dated February 2006 between Embraer—Empresa Brasileira de Aeronáutica S.A. and Copa Holdings, S.A. relating to Embraer 190LR aircraft

- 10.44(2006)† Supplemental Agreement No. 9 dated as of March 16, 2006 to the Boeing Purchase Agreement Number 2191 dated November 25, 1998 between the Boeing Company and Copa Holdings, S.A.
- 10.45(2006)† Supplemental Agreement No. 10 dated as of May 8, 2006 to the Boeing Purchase Agreement Number 2191 dated November 25, 1998 between the Boeing Company and Copa Holdings, S.A.
- 10.44(2006)† Supplemental Agreement No. 11 dated as of August 30, 2006 to the Boeing Purchase Agreement Number 2191 dated November 25, 1998 between the Boeing Company and Copa Holdings, S.A.
- 10.45(2007)† Supplemental Agreement No. 12 dated as of February 26, 2007 to the Boeing Purchase Agreement Number 2191 dated November 25, 1998 between the Boeing Company and Copa Holdings, S.A.
- 10.46(2007)† Supplemental Agreement No. 13 dated as of April 23, 2007 to the Boeing Purchase Agreement Number 2191 dated November 25, 1998 between the Boeing Company and Copa Holdings, S.A.
- 10.47(2007)† Supplemental Agreement No. 14 dated as of August 31, 2007 to the Boeing Purchase Agreement Number 2191 dated November 25, 1998 between the Boeing Company and Copa Holdings, S.A.
- 10.48(2008)† Supplemental Agreement No. 15 dated as of February 21, 2008 to the Boeing Purchase Agreement Number 2191 dated November 25, 1998 between the Boeing Company and Copa Holdings, S.A.
- 10.49(2008)† Supplemental Agreement No. 16 dated as of June 30, 2008 to the Boeing Purchase Agreement Number 2191 dated November 25, 1998 between the Boeing Company and Copa Holdings, S.A.
- 10.50(2008)† Supplemental Agreement No. 17 dated as of December 15, 2008 to the Boeing Purchase Agreement Number 2191 dated November 25, 1998 between the Boeing Company and Copa Holdings, S.A.
- 10.51(2009)† Supplemental Agreement No. 18 dated as of July 15, 2009 to the Boeing Purchase Agreement Number 2191 dated November 25, 1998 between the Boeing Company and Copa Holdings, S.A.
- 10.52(2009)† Supplemental Agreement No. 19 dated as of August 31, 2009 to the Boeing Purchase Agreement Number 2191 dated November 25, 1998 between the Boeing Company and Copa Holdings, S.A.
- 10.53(2009)† Supplemental Agreement No. 20 dated as of November 19, 2009 to the Boeing Purchase Agreement Number 2191 dated November 25, 1998 between the Boeing Company and Copa Holdings, S.A.
- 10.54(2010)† Supplemental Agreement No. 21 dated as of May 28, 2010 to the Boeing Purchase Agreement Number 2191 dated November 25, 1998 between the Boeing Company and Copa Holdings, S.A.
- 10.55(2010)† Supplemental Agreement No. 22 dated as of September 24, 2010 to the Boeing Purchase Agreement Number 2191 dated November 25, 1998 between the Boeing Company and Copa Holdings, S.A.
- 10.56(2010)† Supplemental Agreement No. 23 dated as of October, 2010 to the Boeing Purchase Agreement Number 2191 dated November 25, 1998 between the Boeing Company and Copa Holdings, S.A.
- 10.57(2011)† On Pointsm Solutions Rate per Engine Flight Hour Service Agreement dated as of May 22, 2011 between GE Engine Services, LLC., Copa Holdings, S.A., and Lease Management Services, LLC.
- 10.58(2012)†† On Pointsm Solutions Rate per Engine Flight Hour Service Agreement dated as of April 15, 2012 between GE Engine Services, LLC., Copa Holdings, S.A., and Lease Management Services, LLC.
- 12.1 Certification of the Chief Executive Officer, pursuant to Rules 13a-14 and 15d-14 under the Securities Exchange Act of 1934.
- 12.2 Certification of the Chief Financial Officer, pursuant to Rules 13a-14 and 15d-14 under the Securities Exchange Act of 1934.

- 13.1 Certification of Chief Executive Officer, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
- 13.2 Certification of the Chief Financial Officer, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
- 21.1** Subsidiaries of the Registrant
- * Previously filed with the SEC as an exhibit and incorporated by reference from our Registration Statement on Form F-1, filed June 15, 2006, File No. 333-135031.
- ** Previously filed with the SEC as an exhibit and incorporated by reference from our Registration Statement on Form F-1, filed November 28, 2005, as amended on December 1, 2005 and December 13, 2005, File No. 333-129967.
- 2007 Previously filed with the SEC as an exhibit and incorporated by reference from our Annual Report on Form 20-F, filed July 2, 2007, File No. 001-32696.
- 2008 Previously filed with the SEC as an exhibit and incorporated by reference from our Annual Report on Form 20-F, filed May 9, 2008, File No. 001-32696.
- *** Previously filed with the SEC as an exhibit and incorporated by reference from our Registration Statement on Form F-3, filed May 13, 2008, File No. 333-150882.
- 2009 Previously filed with the SEC as an exhibit and incorporated by reference from our Annual Report on Form 20-F, filed May 6, 2009, File No. 001-32696.
- 2010 Previously filed with the SEC as an exhibit and incorporated by reference from our Annual Report on Form 20-F, filed March 16, 2010, File No. 001-32696.
- 2011 Previously filed with the SEC as an exhibit and incorporated by reference from our Annual Report on Form 20-F, filed May 17, 2011, as amended on December 22, 2011, File No. 001-32696.
- 2012 Previously filed with the SEC as an exhibit and incorporated by reference from our Annual Report on Form 20-F, filed April 29, 2013, File No. 001-32696.
- † The Registrant was granted confidential treatment for portions of this exhibit.
- †† The Registrant has requested confidential treatment for portions of this exhibit.

SIGNATURES

The Registrant hereby certifies that it meets all of the requirements for filing on Form 20-F/A and that it has duly caused and authorized the undersigned to sign this annual report on its behalf.

COPA HOLDINGS, S.A.

By: /s/ Pedro Heilbron
Name: Pedro Heilbron
Title: Chief Executive Officer

By: /s/ Jose Montero
Name: Jose Montero
Title: Chief Financial Officer

Dated: July 25, 2013

Consolidated Financial Statements

Copa Holdings, S. A. and Subsidiaries

*Year ended December 31, 2012
with Independent Auditors' Report*

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Shareholders COPA HOLDINGS, S.A.

We have audited the accompanying consolidated statements of financial position of Copa Holdings, S.A. and its subsidiaries as of December 31, 2012 and 2011, and the related consolidated statements of income, comprehensive income, changes in equity and cash flows for each of the three years in the period ended December 31, 2012. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Copa Holdings, S.A. and its subsidiaries at December 31, 2012 and 2011, and the consolidated results of their operations and their cash flows for each of the three years in the period ended December 31, 2012, in conformity with International Financial Reporting Standards, as issued by the International Accounting Standards Board.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Copa Holdings, S.A. and its subsidiaries' internal control over financial reporting as of December 31, 2012, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated April 29, 2013 expressed an unqualified opinion thereon.

/s/ Ernst & Young
April 29, 2013
Panama City, Republic of Panama

Copa Holdings, S. A. and Subsidiaries
Consolidated statement of financial position
As at 31 December 2012
(In US\$ thousands)

	Notes	2012	2011
Assets			
Current assets			
Cash and cash equivalents	5	\$ 76,094	\$ 243,801
Short-term investments	6	575,009	262,345
Accounts receivable	7	135,207	142,297
Accounts receivable from related parties	16	1,129	704
Expendable parts and supplies	8	50,603	42,382
Prepaid expenses	9	63,120	40,058
Other current assets	10	16,328	22,655
Total current assets		<u>917,490</u>	<u>754,242</u>
Non-current assets			
Investments	6	69,445	104,834
Property, plant and equipment	11	2,284,631	2,000,191
Prepaid pension asset		10,009	8,974
Goodwill	12	27,575	25,099
Other intangible assets	13	59,382	47,047
Other assets	14	1 10,968	125,409
Total non-current assets		<u>2,562,010</u>	<u>2,311,554</u>
Total assets		<u>\$3,479,500</u>	<u>\$3,065,796</u>
Liabilities and equity			
Current Liabilities			
Current maturities of long-term debt	15	\$ 136,268	\$ 131,069
Accounts payable		104,975	92,842
Accounts payable to related parties	16	20,255	22,074
Air traffic liability		382,807	297,135
Taxes and interest payable		85,436	71,223
Accrued expenses payable	17	48,047	30,472
Other current liabilities	18	10,902	13,845
Total Current Liabilities		<u>788,690</u>	<u>658,660</u>
Non-Current Liabilities			
Long-term debt	15	1,069,836	936,657
Post employment benefits liability		6,340	5,847
Other long-term liabilities	19	43,726	44,657
Deferred tax liabilities	22	34,364	30,444
Total Non-Current Liabilities		<u>1,154,266</u>	<u>1,017,605</u>
Total Liabilities		<u>1,942,956</u>	<u>1,676,265</u>
Equity			
Class A common stock—33,391,137 (2011—33,343,164) shares issued, 33,098,345 (2011—32,957,763) outstanding		22,591	22,495
Class B common stock—10,938,125 (2011- 10,938,125) shares issued and outstanding, no par value		7,466	7,466
Additional paid in capital		40,660	33,567
Retained earnings		1,458,258	1,324,394
Accumulated other comprehensive income		7,569	1,609
Total equity		<u>1,536,544</u>	<u>1,389,531</u>
Commitments and Contingencies	26		
Total liabilities and equity		<u>\$3,479,500</u>	<u>\$3,065,796</u>

The accompanying notes are an integral part of these consolidated financial statements.

Copa Holdings, S. A. and Subsidiaries
Consolidated statement of income
For the year ended 31 December 2012
(In US\$ thousands)

	Notes	2012	2011	2010
Operating Revenue				
Passenger revenue		\$2,163,136	\$1,747,102	\$1,338,581
Cargo, mail and other		86,252	83,819	76,225
		<u>2,249,388</u>	<u>1,830,921</u>	<u>1,414,806</u>
Operating Expenses				
Aircraft fuel		725,763	547,221	354,427
Salaries and benefits	23	247,405	213,094	178,845
Passenger servicing		217,137	160,725	133,718
Commissions		89,378	72,947	57,677
Maintenance, material and repairs		92,166	70,969	62,229
Reservations and sales		84,992	70,363	58,813
Aircraft rentals		72,468	51,259	46,334
Flight operations		104,993	83,782	70,648
Depreciation and amortization	11	89,217	75,458	62,962
Landing fees and other rentals		46,233	41,881	40,320
Other		77,101	58,237	59,185
		<u>1,846,853</u>	<u>1,445,936</u>	<u>1,125,158</u>
Operating Income		402,535	384,985	289,648
Non-operating expense:				
Finance costs		32,795	32,680	29,981
Finance income		(11,689)	(6,774)	(4,759)
Exchange rate difference	20	9,925	6,036	20,625
Mark to market fuel derivative		9,949	3,585	(11,721)
Other, net		(4,788)	3,447	(4,501)
		<u>36,192</u>	<u>38,974</u>	<u>29,625</u>
Income before income taxes		366,343	346,011	260,023
Income tax expense	22	39,867	35,586	18,966
Net income		<u>\$ 326,476</u>	<u>\$ 310,425</u>	<u>\$ 241,057</u>
Earnings per share (Basic and diluted)	24	\$ 7.35	\$ 6.98	\$ 5.48

The accompanying notes are an integral part of these consolidated financial statements.

Copa Holdings, S. A. and Subsidiaries
Consolidated statement of comprehensive income
For the year ended 31 December 2012
(In US\$ thousands)

	2012	2011	2010
Net income	<u>\$326,476</u>	<u>\$310,425</u>	<u>\$241,057</u>
Other comprehensive income:			
Net change in fair value of derivative instruments	1,292	47	(1,301)
Exchange effect on intercompany long term balance	(1,516)	(1,075)	(1,062)
Foreign currency translation	6,184	227	3,965
Other comprehensive income (loss) for the year	<u>5,960</u>	<u>(801)</u>	<u>1,602</u>
Total comprehensive income for the year	<u><u>\$332,436</u></u>	<u><u>\$309,624</u></u>	<u><u>\$242,659</u></u>

The accompanying notes are an integral part of these consolidated financial statements.

Copa Holdings, S. A. and Subsidiaries
Consolidated statement of changes in equity
For the year ended 31 December 2012
(In US\$ thousands)

	Notes	Common Stock (Non-par value)		Issued Capital		Additional Paid in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total
		Class A	Class B	Class A	Class B				
At January 31, 2010 (restated)		30,566,853	12,778,125	\$20,864	\$ 8,722	\$ 22,196	893,230	\$ 808	945,820
Issuance of stock		2,092,704	(1,840,000)	1,427	(1,256)	(171)	—	—	—
Total comprehensive income		—	—	—	—	—	241,057	1,602	242,659
Restricted stock plan		—	—	—	—	4,085	—	—	4,085
Dividends declared		—	—	—	—	—	(47,908)	—	(47,908)
At December 31, 2010 (restated)		32,659,557	10,938,125	\$22,291	\$ 7,466	\$ 26,110	\$1,086,379	\$ 2,410	\$1,144,656
Issuance of stock		298,206	—	204	—	(204)	—	—	—
Total comprehensive income		—	—	—	—	—	310,425	(801)	309,624
Restricted stock plan		—	—	—	—	7,661	—	—	7,661
Dividends paid		—	—	—	—	—	(72,410)	—	(72,410)
At December 31, 2011		32,957,763	10,938,125	\$22,495	\$ 7,466	\$33,567	\$1,324,394	\$ 1,609	\$1,389,531
Issuance of stock		140,582	—	96	—	(96)	—	—	—
Total comprehensive income		—	—	—	—	—	326,476	5,960	332,436
Restricted stock plan		—	—	—	—	7,014	—	—	7,014
Other		—	—	—	—	175	—	—	175
Dividends paid	25	—	—	—	—	—	(192,612)	—	(192,612)
At December 31, 2012		33,098,345	10,938,125	\$22,591	\$ 7,466	\$40,660	\$1,458,258	\$ 7,569	\$1,536,544

The accompanying notes are an integral part of these consolidated financial statements.

Copa Holdings, S. A. and Subsidiaries
Consolidated statement of cash flows
For the year ended 31 December 2012
(In US\$ thousands)

	Years Ended December 31,		
	2012	2011	2010
Operating activities			
Net income	\$ 326,476	\$ 310,425	\$ 241,057
Adjustments for:			
Income tax expense	39,867	35,586	18,966
Finance cost	32,795	32,680	29,981
Finance income	(11,689)	(6,774)	(4,759)
Depreciation and amortization	89,217	75,458	62,962
Gain on sale of property and equipment	(68)	(801)	(20)
Loss on disposal of property and equipment	348	—	—
Provision for impairment	6,829	347	(540)
Allowance for obsolescence	43	45	36
Derivative instruments mark to market	10,614	4,989	(13,555)
Stock compensation	7,014	7,661	4,032
Amortization and impairment of brand name	970	883	1,500
Currency translation adjustment	(4,185)	(1,145)	62
Changes in:			
Accounts receivable	261	(53,870)	(10,208)
Accounts receivable from related parties	(425)	(91)	4,064
Other current assets	(25,474)	(5,037)	(32,448)
Restricted cash	4,889	(110)	182
Other assets	5,717	(24,550)	(9,197)
Accounts payable	12,133	23,882	13,207
Accounts payable to related parties	(1,819)	11,134	(1,832)
Air traffic liability	85,672	125,719	27,106
Other liabilities	22,490	12,542	(1,824)
Cash flows from operating activities	601,675	548,973	328,772
Income tax paid	(39,653)	(25,568)	(13,041)
Interest paid	(28,946)	(28,911)	(26,249)
Interest received	4,950	3,795	3,319
Net cash flows from operating activities	538,026	498,289	292,801
Investing activities			
Acquisition of investments	(399,733)	(319,652)	(340,268)
Proceeds from redemption of investments	117,568	153,722	234,768
Advance payments on aircraft purchase contracts	(194,886)	(175,354)	(157,292)
Acquisition of property and equipment	(177,554)	(130,973)	(191,437)
Proceed on sale of property and equipment	—	4,007	8,797
Net cash flows used in investing activities	(654,605)	(468,250)	(445,432)
Financing activities			
Proceeds from loans and borrowings	287,490	171,747	282,072
Payments on loans and borrowings	(149,353)	(93,562)	(138,697)
Paid-in capital	176	—	53
Dividends paid	(192,612)	(72,410)	(47,908)
Net cash flows (used in) provided by financing activities	(54,299)	5,775	95,520
Effect of exchange rate change on cash	3,171	297	2,145
Net increase (decrease) in cash and cash equivalents	(167,707)	36,111	(54,966)
Cash and cash equivalents at January 1 st	243,801	207,690	262,656
Cash and cash equivalents at December 31	\$ 76,094	\$ 243,801	\$ 207,690

The accompanying notes are an integral part of these consolidated financial statements.

1. Corporate information

Copa Holdings, S. A. (“the Company”) was incorporated according to the laws of the Republic of Panama and owns 99.9% of the shares of Compañía Panameña de Aviación, S. A. (“Copa Airlines”), 100% of the shares of Oval Financial Leasing, Ltd. (“OVAL”), and 99.9% of the shares of AeroRepública, S.A. (“Copa Colombia”).

Copa Airlines, the Company’s core operation, is incorporated according to the laws of the Republic of Panama and provides international air transportation for passengers, cargo and mail. Copa Airlines operates from its Panama City hub in the Republic of Panama. Copa Colombia is a Colombian air carrier, which is incorporated according to the laws of the Republic of Colombia and provides domestic and international air transportation for passengers, cargo and mail with a point-to-point route network. OVAL is incorporated according to the laws of the British Virgin Islands, and controls the special purpose entities that have a beneficial interest in the majority of our fleet, which are all leased to either Copa Airlines or Copa Colombia.

The Company currently offers approximately 334 daily scheduled flights among 64 destinations in 29 countries in North, Central and South America and the Caribbean, mainly from its Panama City Hub. Additionally, the Company provides passengers with access to flights to more than 165 other international destinations through codeshare agreements with United and other airline partners. The Company has a broad commercial alliance with United, which includes joint marketing, code-sharing arrangements, participation in United’s Mileage Plus frequent flyer loyalty program and access to United’s VIP lounge program, President’s Club, along with other benefits such as improved purchasing power in negotiations with service providers, aircraft vendors and insurers. Since June 2012, Copa Airlines is a Star Alliance member. Copa Airlines’ passengers who are members of the frequent flyer program can earn Mileage Plus miles on all flights operated by Star Alliance partners, and are eligible to redeem their Mileage Plus miles for free reward tickets to any of Star Alliance’s 1,292 global destinations.

As of December 31, 2012, the Company operates a fleet of 83 aircraft with an average age of 5.13 years; consisting of 57 modern Boeing 737-Next Generation aircraft and 26 Embraer 190 aircraft.

1. Corporate information (continued)

The Company's principal executive offices are located at Boulevard Costa del Este, Avenida Principal y Avenida de la Rotonda, Urbanización Costa del Este, Complejo Business Park, Torre Norte, Parque Lefevre, Panama City, Republic of Panama.

As used in these Notes to Consolidated Financial Statements, the terms "the Company", "we", "us", "our" and similar terms refer to Copa Holdings, S.A. and, unless the context indicates otherwise, its consolidated subsidiaries.

The consolidated financial statements have been authorized by Management for issue on April 26, 2013.

2.1 Basis of preparation

The Company's consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

The consolidated financial statements have been prepared on a historical cost basis, except for certain assets and liabilities, which are measured at fair value, as set out in the specific accounting policy for such assets and liabilities. The consolidated financial statements are presented in United States dollars and all values are rounded to the nearest thousand U.S. \$000, except when otherwise indicated.

2.2 Basis of consolidation

These consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 31 December 2012.

Subsidiaries are consolidated from the date of acquisition, being the date on which the Company obtains control, and continue to be consolidated until the date when such control ceases. The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. All intercompany balances, transactions and dividends are eliminated in full.

2.3 Summary of significant accounting policies

a) Goodwill

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred over the net identifiable assets acquired and liabilities assumed of the acquired subsidiary at the date of acquisition.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Company's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquire are assigned to those units.

b) Foreign currencies

The Company's consolidated financial statements are presented in U.S. Dollars, which is also the company's functional currency. For each entity the Company determines the functional currency and items included in the financial statements of each entity are measured using that functional currency.

i) Transactions and balances

Transactions in foreign currencies are initially recorded by the Company at their respective functional currency spot rates at the date the transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rate of exchange at the reporting date.

Non-monetary items are translated at equivalent U.S. Dollar costs at dates of the initial transaction and maintained at historical rate. Foreign exchange gains and losses are included in the exchange rate difference line in the consolidated statement of income for the year.

ii) Group companies

The financial statements of Copa Colombia, S. A. are measured in Colombian Pesos, the functional currency of the subsidiary, and are translated to U.S. Dollars as follows: for assets and liabilities at the exchange rate prevailing at the reporting date and for income statement at the average exchange rate for each month. The exchange differences arising on translation for consolidation are recognized in the consolidated statement of comprehensive income.

Any goodwill arising on the acquisition of a foreign operation is treated as asset of the foreign operation and translated at the closing exchange rate.

2.3 Summary of significant accounting policies (continued)

c) Revenue recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. The following specific recognition criteria must also be met before revenue is recognized:

Passenger revenue

Passenger revenue is recognized when transportation is provided rather than when a ticket is sold. The amount of passenger ticket sales, not yet recognized as revenue, is reflected as "Air traffic liability" in the consolidated statement of financial position. Fares for tickets that are expected to expire unused are recognized as revenue based on historical data and experience. The Company performs periodic evaluations of this liability, and any adjustments resulting there from, which can be significant, are included in operations for the periods in which the evaluations are completed.

A significant portion of the Company's ticket sales are processed through major credit card companies, resulting in accounts receivable which are generally short-term in duration and typically collected prior to when revenue is recognized. The Company believes that the credit risk associated with these receivables is minimal.

The Company is required to charge certain taxes and fees on its passenger tickets. These taxes and fees include transportation taxes, airport passenger facility charges and arrival and departure taxes. These taxes and fees are legal assessments on the customer. As the Company has a legal obligation to act as a collection agent with respect to these taxes and fees, we do not include such amounts in passenger revenue. The Company records a liability when the amounts are collected and derecognize the liability when payments are made to the applicable government agency or operating carrier.

Cargo and courier services

Cargo and courier services are recognized when the Company provides the shipping services and thereby completes the earning process.

Other revenue

Other revenue is primarily comprised of excess baggage charges, commissions earned on tickets sold for flights on other airlines and charter flights, and is recognized when transportation or service is provided.

2.3 Summary of significant accounting policies (continued)

Frequent flyer program

The Company participates in United Continentals' One Pass frequent flyer program (Renamed Mileage Plus in March 2012), for which the Company's passengers receive all the benefits and privileges offered by the Mileage Plus program. United Continental is responsible for the administration of and retains the liability to redeem miles under the Mileage Plus program. Under the terms of the Company's frequent flyer agreement with United Continental, Mileage Plus members receive Mileage Plus frequent flyer mileage credits for traveling on the Company's flight and the Company pays United Continental a per mile rate for each mileage credit granted to United Continental at the time of the flight. The amounts paid to United Continental are recognized by the Company through a deduction under "passenger revenue" in the consolidated statement of income and the Company has no further payment or service obligation with respect to the mileage credits. United Continental is then obligated to pay the Company a per mile rate for every mile flown by a Mileage Plus Member redeeming miles on a Copa Airlines or Copa Colombia flight. The rates paid by United Continental depend on the class of service, the flight length and the availability of the reward. This revenue received from United Continental is recorded in "passenger revenue" in the accompanying consolidated income statement as flight services are provided to the passenger.

d) Taxes

Current income tax

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the countries where the Company operates and generates taxable income.

Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions when appropriate.

Deferred tax

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

- When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

2.3 Summary of significant accounting policies (continued)

- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, the carry forward of unused tax credits and unused tax losses. Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry forward of unused tax credits and unused tax losses can be utilized, except:

- When deferred tax asset relating to the deductible temporary difference arises from initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in correlation to the underlying transaction either in other comprehensive income or directly in equity.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

2.3 Summary of significant accounting policies (continued)

e) Property, plant and equipment

Property, plant and equipment comprise mainly airframe, engines and other related flight equipments. All property, plant and equipment are stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Under IAS 16 “Property, Plant and Equipment”, major maintenance events, including major engine overhauls, are treated as a separate asset component with the cost capitalized and depreciated over the period to the next major event. All other replacement spares and costs relating to maintenance of fleet assets are charged to the consolidated statement of income on consumption or as incurred.

Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets as follows:

• Airframe and engines	30 years
• Aircraft components	30 years
• Ground equipment	10 years
• Furniture, fixture, equipment and other	5 to 10 years
• Major maintenance events	1 to 8 years
• Leasehold improvements	lesser of remaining lease term or useful life

An item of property, plant and equipment and any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement when the asset is derecognized.

The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

f) Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and the expenditure is reflected in the consolidated statement of income in the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.

2.3 Summary of significant accounting policies (continued)

Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and amortization method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortization period, as appropriate, and are treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in the consolidated statement of income.

Intangible assets with indefinite useful lives are not amortized, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains and losses arising from the derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the consolidated statement of income when the asset is derecognized.

A summary of the Company's intangible assets and the policies applied is:

Computer software

Acquired computer software licenses are capitalized on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortized using the straight-line method over their estimated useful lives (three to eight years).

Costs associated with developing or maintaining computer software programs are recognized as an expense as incurred. Costs that are directly associated with the production of identifiable and unique software products controlled by the Company, and that are estimated to generate economic benefits exceeding costs beyond one year, are recognized as intangible assets. Direct costs include the software development employee costs and an appropriate portion of relevant overheads.

Computer software development costs recognized as assets are amortized using the straight-line method over their estimated useful lives.

Licenses and software rights acquired by the Company have finite useful lives and are amortized on a straight-line basis over the term of the contract and the amortization is recognized in the consolidated statement of income.

2.3 Summary of significant accounting policies (continued)

Brand name and routes

Routes rights have an indefinite useful life and are carried at cost, less any accumulated impairment. Annually they are tested for impairment.

During the third quarter of 2010, AeroRepública began to operate under Copa Colombia brand, causing a change in management's assumption from indefinite life to 5 years for the AeroRepública's brand name. Based on the change of the commercial name, an impairment loss was recognized for \$1.5 million during 2010. The remaining balance of this intangible asset is amortized over the 5 years defined life term.

g) Leases

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date. The arrangement is assessed for whether the fulfillment of the agreement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset, even if that right is not explicitly specified in an arrangement. A reassessment is made after inception of the lease only if one of the following applies:

- There is a change in contractual terms, other than a renewal or extension of the arrangement;
- A renewal option is exercised or extension granted, unless the term of the renewal or extension was initially included in the lease term;
- There is a change in the determination of whether fulfillment is dependent on a specified asset; or
- There is a substantial change to the asset.

Where a reassessment is made, lease accounting shall commence or cease from the date when the change in circumstances gave rise to the reassessment. When a renewal option is exercised or extension granted, lease accounting shall commence or cease at the date of renewal or extension period.

Company as a lessee

Leases where lessor effectively retains substantially all the risks and benefits of ownership of the leased item, are classified as operating leases.

Operating lease payments are recognized as an expense in the consolidated statement of income on a straight-line basis over the lease term.

2.3 Summary of significant accounting policies (continued)

h) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of any qualifying asset, that necessarily takes a substantial period of time to get ready for its intended use or sale, are capitalized as part of the cost of the asset during that period of time. Other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

i) Financial instruments – initial recognition and subsequent measurement

i) Financial assets

Initial recognition and measurement

Financial assets within the scope of IAS 39 are classified as financial assets at fair value through profit or loss, receivables, held to maturity investments or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Company determines the classification of its financial assets at initial recognition.

All financial assets are recognized initially at fair value plus directly attributable transaction costs, except in the case of financial asset at fair value through profit and loss.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as describe below:

Held to maturity investments

The Company invests in short-term time deposits with original maturities of more than three months but less than one year. Additionally, the Company invests in long-term time deposits with maturities greater than one year. These investments are classified as short and long-term investments, respectively, in the accompanying consolidated statement of financial position. All of these investments are classified as held-to-maturity securities and are subsequently measured at amortized cost using the Effective Interest Rate (EIR) method, less impairment, since the Company has determined that it has the intent and ability to hold the securities to maturity. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included in finance income in the consolidated statement of income. Restricted cash is classified within short-term and long-term investments and is held as collateral for letters of credit.

2.3 Summary of significant accounting policies (continued)

Receivables

Accounts receivable are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These financial instruments, which generally have 30 days terms, are initially recognized and carried at original invoice amount, less a provision for impairment. The losses arising from impairment are recognized in the consolidated statement of income in "Other operating expenses".

The Company records its best estimate of provision for impairment of receivables, on the basis of various factors, including: varying customer classifications, agreed upon credit terms, and the age of the individual debt.

Derecognition

A financial asset is derecognized when:

- The rights to receive cash flows from the asset have expired
- The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement, and either (a) the Company has transferred substantially all the risk and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risk and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Company's continuing involvement in the asset. In that case, the Company also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

2.3 Summary of significant accounting policies (continued)

ii) Impairment of financial assets

The Company assesses at the end of each reporting date, whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or group of financial assets is deemed to be impaired if there is objective evidence as a result of one or more events that has occurred since the initial recognition of the asset (a "loss event") and that loss event has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. Evidence of impairment may include indicators that the debtors or the group of debtors is experiencing financial difficulty, default or delinquency in interest or principal payments; the probability that they will enter bankruptcy or other financial reorganization and observable data indicating that there is a measurable decrease in the estimated future cash flows.

Impairment of financial assets carried at amortized cost

For financial assets carried at amortized cost, the Company first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Company determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognized are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the assets's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the loss is recorded in the consolidated statement of income.

iii) Financial liabilities

Initial recognition and measurement

Financial liabilities within the scope of IAS 39 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Company determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

The Company's financial liabilities include trade and other payables, loans and borrowings, and derivative financial instruments.

2.3 Summary of significant accounting policies (continued)

Subsequent measurement

The measurement of financial liabilities depends on their classification as described below:

Long-term debt

All borrowings and loans are initially recognized at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these liabilities are measured at amortized cost using the effective interest rate (EIR) method. Gain and losses are recognized in the consolidated statement of income when the liabilities are derecognized as well as through the EIR amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included in finance costs in the consolidated statement of income.

Other financial liabilities

Other financial liabilities are initially recognized at fair value, including directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortized cost using the effective interest rate method.

Gain and losses are recognized in the consolidated statement of income when the liabilities are derecognized as well as through the amortization process.

Derecognition

Financial liabilities are derecognized when the obligation under the liability is discharged, cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the consolidated statement of income.

iv) Fair value of financial instruments

The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs.

For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques may include:

- Using recent arm's length market transactions
- Reference to the current fair value of another instrument that is substantially the same
- A discounted cash flow analysis or other valuation models.

An analysis of fair values of financial instruments and further details as to how they are measured are provided in Note 27.9.

2.3 Summary of significant accounting policies (continued)

j) Derivative financial instruments and hedging activities

Initial recognition and subsequent measurement

Derivatives instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at their fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative. The method for recognizing the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the classification of the hedging.

For the purpose of hedge accounting, hedges are classified as:

- Fair value hedges
- Cash flow hedges
- Hedges of a net investment in a foreign operation.

The Company designates certain derivatives as cash flow hedges.

At the inception of a hedge relationship, the Company formally designates and documents the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions.

The Company also documents its assessment both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions, as expected, are highly effective in offsetting changes in fair values or cash flows of hedged items.

The fair values of various derivative instruments used for hedging purposes are shown in Note 18.

Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognized in the consolidated statement of comprehensive income. The gain or loss relating to the ineffective portion is recognized immediately in the consolidated statement of income.

Amounts recognized as other comprehensive income are transferred to the income statement when the hedged transaction affects profit or loss, such as when the hedged financial income or financial expense is recognized. When the hedged item is the cost of a non-financial asset or non-financial liability, the amounts recognized as other comprehensive income are transferred to the initial carrying amount of the nonfinancial asset or liability.

2.3 Summary of significant accounting policies (continued)

Current versus non-current classification

Derivative instruments that are not designated as effective hedging instruments are classified as current or non-current or separated into a current and non-current portion based on an assessment of the facts and circumstances:

- When the Company will hold a derivative as an economic hedge (and does not apply hedge accounting) for a period beyond 12 months after the reporting date, the derivative is classified as non-current (or separated into current and non-current portions) consistent with the classification of the underlying item.
- Embedded derivatives that are not closely related to the host contract are classified consistent with the cash flows of the host contract.
- Derivative instruments that are designated as, and are effective hedging instruments, are classified consistently with the classification of the underlying hedged item. The derivative instrument is separated into a current portion and a non-current portion only if a reliable allocation can be made.

k) Expendable parts and supplies

Expendable parts and supplies for flight equipment are carried at the lower of the average acquisition cost or replacement cost, and are expensed when used in operations. The replacement cost is the estimated purchase price in the normal course of business.

l) Impairment of non – financial assets

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use. Recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets of group of assets. When the carrying amount of an asset or cash-generating unit (CGU) exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Impairment losses of continuing operations, including impairment on inventories, are recognized in the consolidated statement of income in those expense categories consistent with the function of the impaired asset.

2.3 Summary of significant accounting policies (continued)

For assets, excluding goodwill, an assessment is made at each reporting date to determine whether there is any indication that previously recognized impairment losses no longer exists or may have decreased. If such indication exists, the Company estimates the asset's or CGU's recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the income statement.

m) Cash and cash equivalents

Cash and cash equivalents in the statement of financial position, comprise cash at banks and on hands, money market accounts and time deposits with original maturities of three months or less when purchased.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash net of outstanding bank overdraft.

n) Provisions

Provisions for costs, including restitution, restructuring and legal claims and assessments are recognized when:

- The Company has a present legal or constructive obligation as a result of past events;
- It is more likely than not that an outflow of resources embodying economic benefits will be required to settle the obligation; and
- The amount of obligation can be reliably estimated.

For certain operating leases, the Company is contractually obliged to return aircraft in a defined condition. The Company accrues for restitution costs related to aircraft held under operating leases throughout the duration of the lease. Restitution costs are based on the net present value of the estimated costs of returning the aircrafts and are recognized in the consolidated statement of income in "Maintenance, material and repairs". These costs are reviewed annually and adjusted as appropriate.

o) Passenger traffic commissions

Passenger traffic commissions are recognized as expense when transportation is provided and the related revenue is recognized. Passenger traffic commissions paid but not yet recognized as expense are included in "Prepaid expenses" in the accompanying consolidated statement of financial position.

2.3 Summary of significant accounting policies (continued)

p) Share-based payments

Employees (including senior executives) of the Company receive remuneration in the form of share-based payment transactions, whereby employees render services as consideration for equity instruments (equity-settled transactions).

Equity-settled transactions

The cost of equity-settled transactions is recognized, together with a corresponding increase in other capital reserves in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognized for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Company's best estimate of the number of equity instruments that will ultimately vest. The income statement expense or credit for a period represents the movement in cumulative expense recognized as at the beginning and end of that period and is recognized in "Salaries and benefits" expense (Note 23).

q) Maintenance deposit

The Company makes payments for engine overhauls under power by the hour agreements ("PBH"). Payments related to engine overhauls under PBH agreements are recognized as prepaid assets until the maintenance event occurs, at which time the actual costs of the maintenance is capitalized and are amortized over the expected period until the next event. Additionally, the PBH covers minor maintenance events which are recognized as an expense when occurs. Management performs regular reviews of the recovery of maintenance deposits and believes that the values reflected in the consolidated statement of financial position are recoverable.

r) Monetary unit

The consolidated financial statements are presented in U.S. Dollar, the legal tender of the Republic of Panama. The Republic of Panama does not issue its own paper currency, instead, the U.S. Dollar (US\$) is used as legal currency.

3. Significant accounting judgments, estimates and assumptions

The preparation of the Company's consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities and the accompanying disclosures and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount assets or liabilities affected in future periods.

Judgments

In the process of applying the Company's accounting policies, management has made judgment, which has the most significant effect on the amounts recognized in the consolidated financial statements:

Leases

The Company has entered into lease contracts on some of the aircraft it operates. The Company has determined, based on the terms and conditions of the arrangements, that all the significant risks and rewards of ownership of the aircraft it leases are not transferred, so it accounts for the contracts as operating leases.

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Company based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Company. Such changes are reflected in the assumptions when they occur.

Impairment of non financial asset

Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The fair value less costs to sell calculation is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a discounted cash flow model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Company is not yet committed to or significant future investments that will enhance the asset's performance of the CGU being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes.

Property, plant and equipment

The Company's management has determined that the residual value of the aircraft components owned is 15% of the cost of the asset, so the depreciation of flight equipment is made accordingly. Annually, management reviews the useful life and salvage value of each of these assets.

3. Significant accounting judgments, estimates and assumptions (continued)

Maintenance provision

The recording of maintenance provisions related to return conditions on aircraft leases requires management to make estimates of the future costs associated with the maintenance events required under the lease return condition and estimates of the expected future maintenance condition of the aircraft at the time of lease expiry. These estimates take into account current costs of these maintenance events, estimates of inflation surrounding these costs as well as assumptions surrounding utilization of the related aircraft. Any difference in the actual maintenance cost incurred and the amount of the provision is recorded in maintenance expense in the period. The effect of any changes in estimates, including changes in discount rates, inflation assumptions, cost estimates or lease expiries, is also recognized in maintenance expense in the period.

Share-based payments

The Company measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based payment transactions requires determination of the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determination of the most appropriate inputs to the valuation model including the expected life of the share option, volatility and dividend yield and making assumptions about them. The assumptions and models used for estimating fair value for share-based payment transactions are disclosed in Note 23.

Revenue recognition – expired tickets

The Company recognizes revenue from fares for tickets that are expected to expire unused based on historical data and experience. Estimating expected breakage requires management to make informed judgment about, among other things, the extent to which historical experience is an indication of the future customer behavior. Quarterly as the experience data suggests, management reassesses the historical data and makes required improvements.

3. Significant accounting judgments, estimates and assumptions (continued)

Taxes

The Company believes that the tax positions taken are reasonable. However, various taxing authorities may challenge the positions taken resulting in additional liabilities for taxes and interest that may become payable in future years as a result of audits by the tax authorities. The tax positions involve considerable judgment on the part of management and tax positions are reviewed and adjusted to account for changes in circumstances, such as lapsing of applicable statutes of limitations, conclusions of tax audits, additional exposures based on identification of new issues or court decisions affecting a particular tax issue. Actual results could differ from estimates.

4. Standards issued but not yet effective

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Company's financial statements are disclosed below. The Company intends to adopt these standards, if applicable, when they become effective.

IAS 1 Presentation of Items of Other Comprehensive Income – Amendments to IAS 1

The amendments to IAS 1 change the grouping of items presented in other comprehensive income (OCI). Items that could be reclassified (or 'recycled') to profit or loss at a future point in time (for example, net gain on hedge of net investment, exchange differences on translation of foreign operations, net movement on cash flow hedges and net loss or gain on available-for-sale financial assets) would be presented separately from items that will never be reclassified (for example, actuarial gains and losses on defined benefit plans and revaluation of land and buildings). The amendment affects presentation only and has no impact on the Group's financial position or performance. The amendment becomes effective for annual periods beginning on or after 1 July 2012, and will therefore be applied in the Company's first annual report after becoming effective.

IAS 19 Employee Benefits (Revised)

The IASB has issued numerous amendments to IAS 19. These range from fundamental changes such as removing the corridor mechanism and the concept of expected returns on plan assets to simple clarifications and re-wording. However, the amended standard will impact the net benefit expense as the expected return on plan assets will be calculated using the same interest rate as applied for the purpose of discounting the benefit obligation. The amendment becomes effective for annual periods beginning on or after 1 January 2013.

4. Standards issued but not yet effective (continued)

IAS 28 Investments in Associates and Joint Ventures (as revised in 2011)

As a consequence of the new IFRS 11 Joint Arrangements, and IFRS 12 Disclosure of Interests in Other Entities, IAS 28 Investments in Associates, has been renamed IAS 28 Investments in Associates and Joint Ventures, and describes the application of the equity method to investments in joint ventures in addition to associates. The revised standard becomes effective for annual periods beginning on or after 1 January 2013.

IAS 32 Offsetting Financial Assets and Financial Liabilities – Amendments to IAS 32

These amendments clarify the meaning of “currently has a legally enforceable right to set-off”. The amendments also clarify the application of the IAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. These amendments are not expected to impact the Group’s financial position or performance and become effective for annual periods beginning on or after 1 January 2014.

IFRS 1 Government Loans – Amendments to IFRS 1

These amendments require first-time adopters to apply the requirements of IAS 20 Accounting for Government Grants and Disclosure of Government Assistance, prospectively to government loans existing at the date of transition to IFRS. Entities may choose to apply the requirements of IFRS 9 (or IAS 39, as applicable) and IAS 20 to government loans retrospectively if the information needed to do so had been obtained at the time of initially accounting for that loan. The exception would give first-time adopters relief from retrospective measurement of government loans with a below-market rate of interest. The amendment is effective for annual periods on or after 1 January 2013. The amendment has no impact on the Company.

IFRS 7 Disclosures – Offsetting Financial Assets and Financial Liabilities – Amendments to IFRS 7

These amendments require an entity to disclose information about rights to set-off and related arrangements (e.g., collateral agreements). The disclosures would provide users with information that is useful in evaluating the effect of netting arrangements on an entity’s financial position. The new disclosures are required for all recognized financial instruments that are set off in accordance with IAS 32 Financial Instruments: Presentation.

The disclosures also apply to recognized financial instruments that are subject to an enforceable master netting arrangement or similar agreement, irrespective of whether they are set off in accordance with IAS 32. These amendments will not impact the Company’s financial position or performance and become effective for annual periods beginning on or after 1 January 2013.

4. Standards issued but not yet effective (continued)

IFRS 9 Financial Instruments: Classification and Measurement

IFRS 9, as issued, reflects the first phase of the IASB's work on the replacement of IAS 39 and applies to classification and measurement of financial assets and financial liabilities as defined in IAS 39. The standard was initially effective for annual periods beginning on or after 1 January 2013, but Amendments to IFRS 9 Mandatory Effective Date of IFRS 9 and Transition Disclosures, issued in December 2011, moved the mandatory effective date to 1 January 2015. In subsequent phases, the IASB will address hedge accounting and impairment of financial assets. The adoption of the first phase of IFRS 9 will have an effect on the classification and measurement of the Company's financial assets, but will not have an impact on classification and measurements of financial liabilities. The Company will quantify the effect in conjunction with the other phases, when the final standard including all phases is issued.

IFRS 10 Consolidated Financial Statements, IAS 27 Separate Financial Statements

IFRS 10 replaces the portion of IAS 27 Consolidated and Separate Financial Statements that addresses the accounting for consolidated financial statements. It also addresses the issues raised in SIC-12 Consolidation — Special Purpose Entities.

IFRS 10 establishes a single control model that applies to all entities including special purpose entities. The changes introduced by IFRS 10 will require management to exercise significant judgment to determine which entities are controlled and therefore are required to be consolidated by a parent, compared with the requirements that were in IAS 27. Based on the preliminary analyses performed, IFRS 10 is not expected to have any impact on the currently held investments of the Company. This standard becomes effective for annual periods beginning on or after 1 January 2013.

IFRS 11 Joint Arrangements

IFRS 11 replaces IAS 31 Interests in Joint Ventures and SIC-13 Jointly-controlled Entities — Non-monetary Contributions by Venturers. IFRS 11 removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation. Instead, JCEs that meet the definition of a joint venture must be accounted for using the equity method. These amendments are not expected to impact the Group's financial position or performance.

IFRS 12 Disclosure of Interests in Other Entities

IFRS 12 includes all of the disclosures that were previously in IAS 27 related to consolidated financial statements, as well as all of the disclosures that were previously included in IAS 31 and IAS 28. These disclosures relate to an entity's interests in subsidiaries, joint arrangements, associates and structured entities.

4. Standards issued but not yet effective (continued)

A number of new disclosures are also required, but has no impact on the Group's financial position or performance. This standard becomes effective for annual periods beginning on or after 1 January 2013.

IFRS 13 Fair Value Measurement

IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS when fair value is required or permitted. The Company is currently assessing the impact that this standard will have on the financial position and performance, but based on the preliminary analyses, no material impact is expected. This standard becomes effective for annual periods beginning on or after 1 January 2013.

Annual Improvements May 2012

These improvements will not have an impact on the Company, but include:

IFRS 1 First-time Adoption of International Financial Reporting Standards

This improvement clarifies that an entity that stopped applying IFRS in the past and chooses, or is required, to apply IFRS, has the option to re-apply IFRS 1. If IFRS 1 is not re-applied, an entity must retrospectively restate its financial statements as if it had never stopped applying IFRS.

IAS 1 Presentation of Financial Statements

This improvement clarifies the difference between voluntary additional comparative information and the minimum required comparative information. Generally, the minimum required comparative information is provided for the previous period.

IAS 16 Property Plant and Equipment

This improvement clarifies that major spare parts and servicing equipment that meet the definition of property; plant and equipment are not inventory.

IAS 32 Financial Instruments, Presentation

This improvement clarifies that income taxes arising from distributions to equity holders are accounted for in accordance with IAS 12 Income Taxes.

IAS 34 Interim Financial Reporting

The amendment aligns the disclosure requirements for total segment assets with total segment liabilities in interim financial statements. This clarification also ensures that interim disclosures are aligned with annual disclosures.

These improvements are effective for annual periods beginning on or after 1 January 2013.

5. Cash and cash equivalents

	<u>2012</u>	<u>2011</u>
Checking and saving accounts	\$44,504	\$ 93,132
Time deposits of no more than ninety days	476	110,212
Overnight deposits	30,616	27,914
Cash on hand	498	12,543
	<u>\$76,094</u>	<u>\$243,801</u>

Time deposits earn interest based on rates determined by the banks in which the instruments are held. The use of the time deposits depends on the cash requirements of the Company and bear interest rates ranging between 0.05% and 3.96% as of December 31, 2012 and 0.25% and 3.40% as of December 31, 2011.

6. Investments

	<u>2012</u>	<u>2011</u>
Short-term investments:		
Time deposits between 90 and 365 days	\$484,838	\$262,345
Other short term investments	90,171	0
	<u>\$575,009</u>	<u>\$262,345</u>
Long term investments:		
Time deposits of more than 365 days	\$ 68,000	\$ 98,500
Restricted cash	1,445	6,334
	<u>\$ 69,445</u>	<u>\$104,834</u>

As of December 31, 2012 the Company had \$90,171 million, not available for use by the Company due to exchange controls in Venezuela.

Copa Holdings, S. A. and Subsidiaries
Notes to the consolidated financial statements
December 31, 2012
(In US\$ thousands)

7. Accounts receivable

	<u>2012</u>	<u>2011</u>
Travel agencies and airlines clearing house	\$ 81,460	\$ 74,955
Credit cards	31,555	40,423
Cargo and other travel agencies	9,491	12,396
Mail	2,385	2,558
Other	13,499	16,502
	<u>138,390</u>	<u>146,834</u>
Provision for impairment	(3,183)	(4,537)
	<u>\$ 135,207</u>	<u>\$ 142,297</u>
	<u>2012</u>	<u>2011</u>
Current	\$ 111,288	\$ 83,859
Past due 0 to 30 days	11,076	26,382
Past due 31 to 60 days	3,611	7,493
More than 60 days	12,415	29,100
	<u>\$ 138,390</u>	<u>\$ 146,834</u>

Current accounts receivable are those that do not show delays in their payments, according to the date agreed with the customer. The provision for impairment is made collectively when the Company estimates that it will not be able to collect all of the amounts past due. Movements in the provision for impairment of receivables were as follows:

	<u>2012</u>	<u>2011</u>
Balance at beginning of year	\$ 4,537	\$ 4,190
Additions	6,829	5,019
Write-offs	(8,183)	(4,672)
Balance at end of year	<u>\$ 3,183</u>	<u>\$ 4,537</u>

8. Expendable parts and supplies

	<u>2012</u>	<u>2011</u>
Material for repair and maintenance	\$43,476	\$36,527
Purchases in transit	5,297	4,049
Other inventories	1,830	1,806
	<u>\$50,603</u>	<u>\$42,382</u>

The amount of expendable parts and supplies recognized as an expense in the consolidated statement of income in "Maintenance, material and repairs" was \$22.7 million, \$18.1 million and \$17.5 million for the years ended December 31, 2012, 2011 and 2010, respectively.

9. Prepaid expenses

	<u>2012</u>	<u>2011</u>
Prepaid taxes	\$19,928	\$12,550
Prepaid commissions	6,942	4,195
Prepaid insurance	7,631	7,624
Prepaid rent	2,818	3,342
Prepaid—other	25,801	12,347
	<u>\$63,120</u>	<u>\$40,058</u>

10. Other current assets

	<u>2012</u>	<u>2011</u>
Derivatives financial instruments	\$ 8,991	\$18,605
Others	7,337	4,050
	<u>\$16,328</u>	<u>\$22,655</u>

Copa Holdings, S. A. and Subsidiaries
Notes to the consolidated financial statements
December 31, 2012
(In US\$ thousands)

11. Property, plant and equipment, net

A summary of equipment and leasehold improvements as of December, 31 2012, are as follows:

	<i>Airframe</i>	<i>Engines</i>	<i>Purchase deposits for flight equipment</i>	<i>Aircraft Components</i>	<i>Ramp and Miscellaneous Flight Equipment</i>	<i>Furniture, Fixtures, Equipment and Other</i>	<i>Leasehold Improvements</i>	<i>Construction in Progress</i>	<i>Total</i>
Cost									
Balance at 1 January 2012	\$1,184,757	\$ 737,373	\$ 242,287	\$ 103,000	\$ 29,706	19,932	\$ 17,499	\$ 12,291	\$2,346,845
Transfer of Pre-Delivery Payments	117,411	86,411	(203,822)	—	—	—	—	—	—
Additions	98,807	43,312	187,970	12,117	3,357	2,265	1	4,191	352,020
Capitalized interest /other	—	—	19,109	—	—	—	—	—	19,109
Disposals	—	—	—	(481)	(418)	(530)	(187)	—	(1,616)
Effect of movements in exchange rates	—	—	—	—	—	—	—	—	—
Reclassifications	—	—	—	9,509	(27)	58	1,799	(10,478)	861
Balance at 31 December 2012	\$1,400,975	\$ 867,096	\$ 245,544	\$ 124,145	\$ 32,618	\$ 21,725	\$ 19,112	\$ 6,004	\$2,717,219
Depreciation									
Balance at 1 January 2012	\$ (185,678)	\$ (94,804)	\$ —	\$ (22,122)	\$ (19,960)	\$ (14,657)	\$ (9,433)	\$ —	\$ (346,654)
Depreciation for the year	(51,806)	(23,136)	—	(3,960)	(2,704)	(2,428)	(2,330)	—	(86,364)
Disposals	—	—	—	110	385	436	103	—	1,034
Effect of movements in exchange rates	—	—	—	(6)	(95)	208	(22)	—	85
Reclassifications	—	—	—	—	(35)	35	(689)	—	(689)
Balance at 31 December 2012	\$ (237,484)	\$ (117,940)	\$ —	\$ (25,978)	\$ (22,409)	\$ (16,406)	\$ (12,371)	\$ —	\$ (432,588)
Carrying Amounts									
At 1 January 2012	\$ 999,079	\$ 642,569	\$ 242,287	\$ 80,878	\$ 9,746	\$ 5,275	\$ 8,066	\$ 12,291	\$ 2,000,191
At 31 December 2012	\$1,163,491	\$ 749,156	\$ 245,544	\$ 98,167	\$ 10,209	\$ 5,319	\$ 6,741	\$ 6,004	\$ 2,284,631

59 aircraft with a carrying value of \$1.8 billion are pledged as collateral for the obligation of the special purpose entities.

Copa Holdings, S. A. and Subsidiaries
Notes to the consolidated financial statements
December 31, 2012
(In US\$ thousands)

11. Property, plant and equipment, Net (continued)

	<i>Airframe</i>	<i>Engines</i>	<i>Purchase deposits for flight equipment</i>	<i>Aircraft Components</i>	<i>Ramp and Miscellaneous Flight Equipment</i>	<i>Furniture, Fixtures, Equipment and Other</i>	<i>Leasehold Improvements</i>	<i>Construction in Progress</i>	<i>Total</i>
Cost									
Balance at 1 January 2011	\$1,034,054	\$650,194	\$ 205,972	\$ 85,908	\$ 27,256	19,099	\$ 15,882	\$ 9,103	\$2,047,468
Transfer of Pre-Delivery Payments	—	—	(139,039)	—	—	—	—	—	(139,039)
Additions	156,457	87,179	166,407	12,616	3,008	2,499	6	5,004	433,176
Capitalized interest /other	—	—	8,947	—	—	—	—	—	8,947
Disposals	(306)	—	—	(1,876)	(551)	(1,404)	—	(100)	(4,237)
Effect of movements in exchange rates	69	—	—	—	(31)	(12)	—	—	26
Reclassifications	(5,517)	—	—	6,352	24	(250)	1,611	(1,716)	504
Balance at 31 December 2011	\$1,184,757	\$737,373	\$ 242,287	\$ 103,000	\$ 29,706	\$ 19,932	\$ 17,499	\$ 12,291	\$2,346,845
Depreciation									
Balance at 1 January 2011	\$ (146,882)	\$ (75,105)	\$ —	\$ (13,881)	\$ (17,675)	\$ (14,068)	\$ (7,330)	\$ —	\$ (274,941)
Depreciation for the year	(41,911)	(19,699)	—	(4,480)	(2,846)	(2,551)	(2,077)	—	(73,564)
Disposals	3,015	—	—	256	561	1,770	2	—	5,604
Effect of movements in exchange rates	100	—	—	(1)	—	192	(28)	—	263
Reclassifications	—	—	—	(4,016)	—	—	—	—	(4,016)
Balance at 31 December 2011	\$ (185,678)	\$ (94,804)	\$ —	\$ (22,122)	\$ (19,960)	\$ (14,657)	\$ (9,433)	\$ —	\$ (346,654)
Carrying Amounts									
At 1 January 2011	\$ 887,172	\$575,089	\$ 205,972	72,027	9,581	5,031	8,552	9,103	1,772,527
At 31 December 2011	\$ 999,079	\$642,569	\$ 242,287	\$ 80,878	9,746	5,275	8,066	12,291	2,000,191

52 aircraft with a carrying value of \$1.6 billion are pledged as collateral for the obligation of the special purpose entities.

12. Goodwill

Movements in goodwill were as follows:

	<u>2012</u>	<u>2011</u>
Balance at beginning of year	\$25,099	\$25,475
Effect of movements in exchange rates	2,476	(376)
Balance at end of year net of exchange rates	<u>\$27,575</u>	<u>\$25,099</u>

13. Other intangible assets

At the acquisition date both (routes and brand name) were valued and recognized as intangible assets with an indefinite useful life, and recorded in Colombian pesos, which is the functional currency of the subsidiary. Variations year over year, in the value of the routes correspond to the changes in the USD / Colombian Peso exchange rates.

During the third quarter of 2010, AeroRepública began to operate under Copa Colombia brand, causing a change in management's assumption from indefinite life to 5 years for the AeroRepública's brand name. Based on the change of the commercial name, an impairment loss was recognized for \$1.5 million during 2010. The remaining balance of this intangible asset is being amortized over 5 years

13. Other intangible assets (continued)

	<i>Routes and Brand Name Rights</i>	<i>License and Software Rights</i>	<i>Working in Process</i>	<i>Total</i>
Cost				
Balance at 1 January 2012	\$ 35,300	\$ 18,131	\$ 6,821	\$ 60,252
Additions	—	8,976	3,746	12,722
Reclassifications	—	—	(126)	(126)
Effect of movements in exchange rates	3,632	—	—	3,632
Balance at 31 December 2012	\$ 38,932	\$ 27,107	\$ 10,441	\$ 76,480
Amortization				
Balance at 1 January 2012	\$ (926)	\$ (12,279)	\$ —	\$ (13,205)
Amortization for the year	(970)	(2,939)	—	(3,909)
Effect of movements in exchange rates	16	—	—	16
Balance at 31 December 2012	\$ (1,880)	\$ (15,218)	\$ —	\$ (17,098)
Carrying Amounts				
At 1 January 2012	\$ 34,374	\$ 5,852	\$ 6,821	\$ 47,047
At 31 December 2012	\$ 37,052	\$ 11,889	\$ 10,441	\$ 59,382
Cost				
Balance at 1 January 2011	\$ 35,853	\$ 15,830	\$ 1,905	\$ 53,588
Additions	—	2,301	7,064	9,365
Reclassifications	—	—	(2,148)	(2,148)
Effect of movements in exchange rates	(553)	—	—	(553)
Balance at 31 December 2011	\$ 35,300	\$ 18,131	\$ 6,821	\$ 60,252
Amortization				
Balance at 1 January 2011	\$ —	\$ (10,123)	\$ —	\$ (10,123)
Amortization for the year	(883)	(2,156)	—	(3,039)
Effect of movements in exchange rates	(43)	—	—	(43)
Balance at 31 December 2011	\$ (926)	\$ (12,279)	\$ —	\$ (13,205)
Carrying Amounts				
At 1 January 2011	\$ 35,853	\$ 5,707	\$ 1,905	\$ 43,465
At 31 December 2011	\$ 34,374	\$ 5,852	\$ 6,821	\$ 47,047

14. Other assets

	<u>2012</u>	<u>2011</u>
Guaranty deposits	\$ 18,410	\$ 17,066
Deposits for litigation	18,204	18,404
Maintenance deposits	59,375	73,780
Deferred tax assets	3,655	7,577
Other assets	11,322	8,582
	<u>\$110,968</u>	<u>\$125,409</u>

Guaranty deposits are amounts paid to fuel suppliers and lessors of monthly lease payments, as require at the inception of the agreements.

Deposit for litigation is paid into escrow account until the related dispute is settled. (see note 26)

Maintenance deposits mainly refer to payments made by the Company for overhaul covered by power by the hour arrangements to be used for future engines maintenance events. Maintenance deposits paid do not transfer either obligation to maintain aircraft or cost risk associated with maintenance activities to lessors or providers.

15. Long-term debt

	<u>2012</u>	<u>2011</u>
Long-term fixed rate debt (secured fixed rate indebtedness due through 2023 effective rates ranged from 1.81% to 5.58%)	\$ 619,391	\$ 661,972
Long-term variable rate debt (secured variable rate indebtedness due through 2023 effective rates ranged from 0.33% to 1.90%)	571,713	400,754
Loans payable	15,000	5,000
Sub-total	1,206,104	1,067,726
Less current maturities	136,268	131,069
Long-term debt less current maturities	<u>\$1,069,836</u>	<u>\$ 936,657</u>

15. Long-term debt (continued)

Maturities of long-term debt for the next five years are as follows:

Year ending December 31,	
2013	\$ 136,268
2014	\$ 156,329
2015	\$ 150,397
2016	\$ 124,271
2017	\$ 114,741
Thereafter	\$ 524,098

As of December 31, 2012 and 2011, the Company had \$811.8 and \$651.3 million of outstanding indebtedness, respectively, that is owed to financial institutions under financing arrangements guaranteed by the Export-Import Bank of the United States. The Export-Import Bank guarantees support 85% of the net purchase price of the aircraft and are secured with a first priority mortgage on the aircraft in favor of a security trustee on behalf of Export-Import Bank.

The Company's Export-Import Bank supported financings are amortized on a quarterly basis, are denominated in U.S. Dollars and originally bear interest at a floating rate linked to LIBOR.

The Export-Import Bank guaranteed facilities typically offer an option to fix the applicable interest rate. The Company has exercised this option with respect to \$563.5 million as of December 31, 2012.

The Company effectively extends the maturity of its aircraft financing to 15 years through the use of a "Stretched Overall Amortization and Repayment," or SOAR, structure which provides serial draw-downs calculated to result in a 100% loan accreting to a recourse balloon at the maturity of the Export-Import Bank guaranteed loan which totaled \$71.0 million as of December 31, 2012.

The Company also typically finances a portion of the purchase price of the Boeing aircraft through commercial loans which totaled \$15.5 million as of December 31, 2012.

As of December 31, 2012 the Company has one unused preliminary commitment for long-term financing agreements for approximately \$146.5 million to acquire five (4) Boeing 737-800 aircraft to be delivered between March and October 2013.

See note 26 for information regards financial covenants relating with the Company's financial agreement.

16. Accounts and transactions with related parties

	<u>2012</u>	<u>2011</u>
Accounts receivable from related parties:		
ASSA Compañía de Seguros, S.A.	\$ 1,113	\$ 673
Others	16	31
	<u>\$ 1,129</u>	<u>\$ 704</u>
	<u>2012</u>	<u>2011</u>
Accounts payable to related parties:		
ASSA Compañía de Seguros, S.A.	\$ 7,437	\$ 7,883
Petróleos Delta	11,861	13,996
Others	957	195
	<u>\$20,255</u>	<u>\$22,074</u>

16. Accounts and transactions with related parties (continued)

Transaction with related parties detail for the year ended December 31, are as follows:

Related Party	Transaction	Amount of transaction 2012	Amount of transaction 2011	Amount of transaction 2010
Banco General	Debt	—	705	1,515
	Interest received	1,874	1,249	100
	Interest paid	13	51	988
ASSA Compañía de Seguros, S.A.	Insurance	10,381	12,785	7,631
Petróleos Delta	Purchase jet fuel	354,934	283,174	170,127
Desarrollo Inmobiliario del Este, SA	Property	2,295	2,055	2,018
Galindo, Arias & López	Legal services	587	511	608
Motta Internacional& Global Brands	Payments	1,189	857	821
RD Nexos	Advertising	3,805	339	616
Call Center Corporation	Call center	425	2,593	3,869
Telecarrier, S.A.	Payments	—	—	863

Banco General: The Company's shareholders own approximately 40% of BG Financial Group, which is the controlling company of Banco General.

ASSA Campania de Seguros, S.A.: An insurance company controlled by the Company's controlling shareholders, is used to provide substantially all of the Company's insurance.

Petróleos Delta: The fuel company, during 2005 entered into a contract with the Company to supply its jet fuel needs. The contract has a one year term that automatically renews for one year period unless terminated by one of the parties. While the Company's controlling shareholders do not hold a controlling equity interest in Petróleos Delta, S.A., various members of the Company's Board of Directors also are board members of Petróleos Delta, S.A.

16. Accounts and transactions with related parties (continued)

Desarrollo Inmobiliario del Este, S. A.: The Company leases five floors consisting of approximately 104,000 square feet of the building from Desarrollo Inmobiliario, an entity controlled by the same group of investors that controls CIASA.

Galindo, Arias & López: Certain partners of Galindo, Arias & Lopez (a law firm) are indirect shareholders of CIASA and serve on the Company's Board of Directors.

Motta Internacional & Global Brands: The Company purchases most of the alcohol and other beverages served on its aircraft from Motta Internacional, S.A. and Global Brands, S.A., both of which are controlled by the Company's controlling shareholders.

RD Nexos: The advertising agency that the Company uses in Panama is RD Nexos, S.A., formerly owned by the brother-in-law of the Chief Executive Officer and where his brother has minority stake.

Call Center Corporation: A call center that operates Copa Airlines' reservations and sales services and handles calls from Panama as well as most other countries to which Copa Airlines flies. One of the Company's directors is one of the owners of this call center.

Telecarrier, S.A.: The Company's telecommunications and other data services have been provided by Telecarrier, Inc. Some of the controlling shareholders of CIASA have a controlling interest in Telecarrier.

Compensation of Key Management Personnel

Compensation to the Company's key management personnel is as follows:

	<u>2012</u>	<u>2011</u>	<u>2010</u>
Short-term employees benefits	\$3,505	\$3,281	\$3,500
Post-employment pension	67	64	68
Stock based compensation	4,866	4,100	4,000
	<u>\$8,438</u>	<u>\$7,445</u>	<u>\$7,568</u>

The Company has not set aside any additional funds for future payments to executive officers, other than pursuant to a non-compete agreement for \$3.0 million established in 2006.

17. Accrued expenses payable

Labor related provisions

The Company sponsors a profit-sharing program for both management and non-management personnel. For members of management, profit-sharing is based on a combination of the Company's performance as a whole and the achievement of individual goals. Profit-sharing for non-management employees is based solely on the Company's performance.

GDS expenses and miscellaneous provisions

The Company records estimation for charges received through clearinghouse for general distribution systems (GDS) charges related to ticket transactions and for centralized Bank Settlement Plan (BSP) charges related to processing costs and administrative fees. These provisions are established every month and reversed the next month.

The provisions detail as of December 31 is as follows:

	<u>2012</u>	<u>2011</u>
Provisions and estimations	\$18,027	\$ 5,641
Labor related provisions	30,020	24,831
	<u>\$48,047</u>	<u>\$30,472</u>

18. Other current liabilities

	<u>2012</u>	<u>2011</u>
Derivative financial instruments	\$ 5,589	\$ 6,831
Vacation payable	1,224	1,453
Others	4,089	5,561
	<u>\$10,902</u>	<u>\$13,845</u>

19. Other long-term liabilities

	<u>Provision for claims</u>	<u>Provision for litigations</u>	<u>Provision for return condition</u>	<u>Other long term liabilities</u>	<u>Total</u>
At 1 January 2012	\$ 84	\$18,856	\$ 23,731	\$ 1,986	\$ 44,657
Increases	117	951	10,114	228	11,410
Used	(64)	(34)	(10,671)	(69)	(10,838)
Effect of movements in exchange rates	8	(1,539)	185	—	(1,346)
Others	—	—	—	(157)	(157)
At 31 December 2012	<u>\$ 145</u>	<u>\$18,234</u>	<u>\$ 23,359</u>	<u>\$ 1,988</u>	<u>\$ 43,726</u>
	<u>Provision for claims</u>	<u>Provision for litigations</u>	<u>Provision for return condition</u>	<u>Other long term liabilities</u>	<u>Total</u>
At 1 January 2011	\$ 378	\$16,684	\$ 14,680	\$ 1,961	\$ 33,703
Increases	77	2,186	9,051	228	11,542
Used	(357)	(14)	—	(137)	(508)
Effect of movements in exchange rates	—	—	—	—	—
Others	(14)	—	—	(66)	(80)
At 31 December 2011	<u>\$ 84</u>	<u>\$18,856</u>	<u>\$ 23,731</u>	<u>\$ 1,986</u>	<u>\$ 44,657</u>

Provision for claims

A provision is recognized for expected warranty claims based in labor legal cases. This provision will be used in the next 12 months.

Provision for litigations

Provisions for litigation in process (Note 26- commitments and contingencies).

Provision for return condition

For certain foreign operating leases, the Company is contractually obliged to return aircraft in a defined condition. The Company accrues for restitution costs related to aircraft held under operating leases throughout the duration of the lease.

Other long term liabilities

Provision for non-compete agreement is created for payment to senior management related to covenants not to compete with us in the future (Relative to the \$3 million trust fund).

20. Exchange rate difference

Results of operations are translated at average exchange rates in effect during the period. Foreign exchange gains and losses are included in the exchange rate difference line in the consolidated statement of income for the year.

21. Operating leases

The Company leases some of the aircraft it operates and other assets under long-term lease arrangements. Other leased assets include real property, airport and terminal facilities, sales offices, maintenance facilities, training centers and general offices. Most contract leases include renewal options; a few have escalation clauses, but no purchase options. Non-aircraft related leases, primarily held with local governments, generally have renewable terms of one year. In certain cases, the rental payments during the renewal periods would be greater than the current payments. Because the lease renewals are not considered to be reasonably assured, the rental payments that would be due during the renewal periods are not included in the determination of rent expense until the leases are renewed. Leasehold improvements are amortized over the contractually committed lease term, which does not include the renewal periods.

At December 31, 2012, the scheduled future minimum lease rental payments required under aircraft and non-aircraft operating leases that have initial non-cancelable lease terms in excess of one year are as follows:

	<u>Aircraft</u>	<u>Engines and Other</u>
Up to one year	\$ 73,081	\$ 9,807
One to five years	246,582	15,820
Over five years	81,257	4,904
Total minimum lease rental payments	<u>\$400,920</u>	<u>\$ 30,531</u>

Total rent expense was \$118.7 million, \$87.4 million and \$72.8 million for the years ended December 31, 2012, 2011 and 2010, respectively.

22. Income taxes

	<u>2012</u>	<u>2011</u>	<u>2010</u>
Current tax expense			
Current period	\$33,285	\$27,071	\$26,460
Adjustment for prior period	124	(105)	1,151
	<u>33,409</u>	<u>26,966</u>	<u>27,611</u>
Deferred tax expense			
Origination and reversal of temporary differences	6,458	8,620	(8,645)
Total income tax expense	<u>\$39,867</u>	<u>\$35,586</u>	<u>\$18,966</u>

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22. Income taxes (continued)

The balances of deferred taxes are as follows:

	Statements of Financial Positions		Profits & Loss		
	2012	2011	2012	2011	2010
Deferred tax liabilities					
Intangible	(12,598)	(11,344)	(133)	(314)	(493)
Reserve for maintenance	(11,707)	(8,909)	2,750	4,255	116
Prepaid dividend tax	(5,978)	(3,228)	2,749	1,904	(5,737)
PP&E	(4,955)	(3,486)	1,300	1,200	1,728
Others	(3,091)	(3,477)	(64)	661	(147)
	<u>(38,329)</u>	<u>(30,444)</u>	<u>6,603</u>	<u>7,706</u>	<u>(4,533)</u>
Set off of tax	3,965	—	—	—	—
	<u>(34,364)</u>	<u>(30,444)</u>	<u>6,603</u>	<u>7,706</u>	<u>(4,533)</u>
Deferred tax assets					
Return conditions	1,024	2,453	1,538	494	(1,210)
Others	6,596	5,124	(1,683)	410	(2,902)
	<u>7,620</u>	<u>7,577</u>	<u>(145)</u>	<u>903</u>	<u>(4,113)</u>
Set off of tax	(3,965)	—	—	—	—
	<u>3,655</u>	<u>7,577</u>	<u>(145)</u>	<u>903</u>	<u>(4,113)</u>
Net deferred tax liabilities	<u>(30,709)</u>	<u>(22,867)</u>	<u>6,458</u>	<u>8,610</u>	<u>(8,645)</u>

The aggregate amount of temporary differences associated with investments in subsidiaries, branches and associates and interests in joint ventures, for which deferred tax liabilities have not been recognized is \$24,014.

Reconciliation of effective tax rate is as follows:

	2012	2012	2011	2011	2010	2010
Profit of the period		326,476		310,425		241,057
Total income tax expense		<u>39,867</u>		<u>35,586</u>	7.3%	<u>18,966</u>
Profit excluding income tax		<u>366,343</u>		<u>346,011</u>		<u>260,023</u>
Income taxes at Panamanian statutory rates	25.0%	91,586	25.0%	86,503	27.5%	71,506
Effect of tax rates in non-Panamanian jurisdictions	(2.5%)	(9,312)	(3.9%)	(13,374)	(9.2%)	(23,992)
Exemption in non-taxable countries	(11.6%)	(42,408)	(10.9%)	(37,543)	(11.4%)	(29,699)
Under (over) provided in prior periods	0.0%	0	0.0%	0	0.4%	1,152
Provision for income taxes	<u>10.9%</u>	<u>39,867</u>	<u>10.3%</u>	<u>35,586</u>	<u>7.3%</u>	<u>18,966</u>

23. Share-based payments

Copa Holdings has established equity compensation plans under which it administers restricted stock, stock options and certain other equity-based awards to attract, retain and motivate executive officers, certain key employees and non-employee directors to compensate them for their contributions to the growth and profitability of the Company. Shares delivered under this award program may be sourced from treasury stock, or authorized un-issued shares.

The Company's equity compensation plans are accounted for under IFRS No. 2, "*Share-Based Payment*" ("IFRS 2"). IFRS 2 requires companies to measure the cost of employee services received in exchange for an award of equity instruments based on the grant-date fair value of the award or at fair value of the award at each reporting date, depending on the type of award granted. The fair value is estimated using option-pricing models. The resulting cost is recognized over the period during which an employee is required to provide service in exchange for the award, which is usually the vesting period.

The total compensation cost recognized for non-vested stock and options awards was \$7.0 million, \$7.7 million and \$4.0 million in 2012, 2011 and 2010 respectively, and was recorded as a component of "Salaries and benefits" within Administrative expenses.

Non-vested Stock

Copa Holdings approved a one-time non-vested stock bonus award for certain executive officers of the Company.

A summary of the terms and conditions, properly approved by the Compensation Committee of our Board of Directors, relating to the grants of the non-vested stock award under the equity compensation plan is as follows:

<u>Grant Date</u>	<u>Number of Instruments</u>	<u>Vesting, Conditions</u>	<u>Contractual life</u>
March, 2010	52,567	One-third every anniversary	3 years
March, 2011	43,464	One-third every anniversary	3 years
March, 2011	220,000	15% first two anniversaries, 20% third anniversary, 30% fourth anniversary and 20% fifth anniversary	5 years
March, 2011	55,000	Fifth anniversary	5 years
February, 2012	42,358	One-third every anniversary	3 years
June, 2012	4,547	15% first two anniversaries, 20% third anniversary, 30% fourth anniversary and 20% fifth anniversary	5 years
June, 2012	1,515	Fifth anniversary	5 years

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Non-vested stock awards were measured at their fair value, which is the same amount for which a similarly restricted share would be issued to third party, on the grant date. For the 2012 grants, the fair value of these non-vested stocks award was \$75.39 (\$56.57—2011).

23. Share-based payments (continued)

A summary of non-vested stock award activity under the plan as of December 31, 2012 and 2011 with changes during these years are as follows:

Shares	<u>2012</u>	<u>2011</u>
Non-vested at January 1st	385,401	365,727
Granted	48,420	318,464
Vested	(137,291)	(298,206)
Forfeited	(447)	(584)
Non-vested at December 31 st	<u>296,083</u>	<u>385,401</u>

The Company uses the accelerated attribution method to recognize the compensation cost for awards with graded vesting periods. The Company estimates that the remaining compensation cost, not yet recognized for the non-vested stock awards, is \$8.7 million with a weighted average remaining contractual life of 2.4 years. Additionally, the Company estimates that the 2013 compensation cost related to this plan will be \$6.8 million.

Stock Options

In March 2007, Copa Holdings granted 35,657 equity stock options to certain named executive officers, which vested over three (3) years in yearly installments equal to one-third of the awarded stock on each of the three anniversaries of the grant date. The exercise price of the options is \$53.14, which was the market price of the Company's stock at the grant date. The stock options have a contractual term of 10 years.

The weighted-average fair value of the stock options at the grant date was \$22.33, and was estimated using the Black-Scholes option-pricing model assuming an expected dividend yield of 0.58%, expected volatility of approximately 37.8% based on historical volatility, weighted average risk-free interest rate of 4.59%, and an expected term of 6 years calculated under the simplified method.

A summary of options award activity under the plan as of December 31, 2012 and 2011 and changes during the year is as follows:

Shares	<u>2012</u>	<u>2011</u>
Outstanding at January 1 st	32,639	32,639
Granted	—	—
Exercised	(3,291)	—
Forfeited or expired	—	—
Outstanding at December 31 st	<u>29,348</u>	<u>32,639</u>

23. Share-based payments (continued)

Stock Options (continued)

The Company uses the accelerated method to recognize the compensation cost for stock options. There is no additional compensation cost to be recognized for stock options and the weighted average contractual life is 4.2 years.

Copa Holdings plans to make additional equity based awards under the plan from time to time, including additional non-vested stock and stock option awards. The Company anticipates that future employee non-vested stock and stock option awards granted pursuant to the plan will generally vest over a three year period and the stock options will carry a ten year term.

24. Earnings per share

Basic earnings per share amounts are calculated by dividing the net income for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share amounts are calculated by dividing the net income attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

The following reflects the income and share data used in the basic and diluted earnings per share computations:

	<u>2012</u>	<u>2011</u>	<u>2010</u>
Net income	\$ 326,476	\$ 310,425	\$ 241,057
Denominator for basic and diluted earnings per share			
Weighted average common shares outstanding	44,002	43,823	43,534
Non-vested dividend participating non vest awards	398	670	462
Total shares for basic and diluted earnings per share	44,400	44,493	43,996
Earnings per share			
Basic and diluted	<u>\$ 7.35</u>	<u>\$ 6.98</u>	<u>\$ 5.48</u>

25. Dividends paid

In June 2012 the Company declared and paid dividends based on its policy of 30% of the Company's prior period net income. The amount was \$2.10 per share.

During the fourth quarter of 2012 the Company announced an early payment of its dividends of \$2.25 per share which represent approximately 30% of the Company's estimated annual consolidated net income for 2012.

26. Commitments and contingencies

The Company has 2 purchase contracts with Boeing, one for 16 Boeing 737-Next Generation aircraft, under which the Company has ten (10) firm orders and six (6) purchase options, and another order for thirty (30) Boeing 737-Next Generation aircraft, under which the company has twenty (20) firm orders and ten (10) purchase orders. The firm orders have an approximate value of \$2.7 billion based on aircraft list prices, including estimated amounts for contractual price escalation and pre-delivery deposits. The Company is scheduled to take delivery of the aircraft underlying the 10 firm orders between 2013 and 2015, and the aircraft underlying the 20 firm orders between 2015 and 2018.

Covenants

As a result of the various aircraft financing contracts entered into by the Company, the Company is required to comply with certain financial covenants. These covenants, among other things, require the Company to maintain an EBITDAR to fixed charge ratio of at least 2.5 times, a minimum tangible net worth of \$160 million, an EBITDAR to finance charge expense ratio of at least 2.0 times, a net borrowings to Company's capitalization ratio of less than 85%, a total liability plus operating leases minus operating cash to tangible net worth ratio of less than 5.5, a long-term obligations to EBITDAR ratio of less than 6.0, a minimum unrestricted cash balance of \$50 million and a minimum of \$75 million in available cash, cash equivalents and short-term investments.

As of December 31, 2012, the Company was in compliance with all required covenants.

Labor Unions

Approximately 55% of the Company's 8,277 employees are unionized. There are currently nine (9) union organizations; five (5) covering employees in Panama and four (4) covering employees in Colombia. Copa Airlines traditionally had good relations with its employees and all the unions, and expects to continue to enjoy good relations with its employees and the unions in the future.

26. Commitments and contingencies (continued)

Labor Unions (continued)

The five (5) unions covering employees in Panama include: the pilots' union (UNPAC); the flight attendants' union (SIPANAB); the mechanics' union (SITECMAP); the passenger service agents' union (UGETRACO); and an industry union (SIELAS), which represents ground personnel, messengers, drivers, passenger service agents, counter agents and other non-executive administrative staff.

Copa Airlines entered into collective bargaining agreements with its mechanics' union (SITECMAP) in April 2009; its general union (SIELAS) in July 2008; its pilot union (UNPAC) in August 2012 and its flight attendants' union (SIPANAB) in March 2010.

Collective bargaining agreements in Panama cover typically between three and four year terms.

The four (4) unions covering employees in Colombia are: Pilots' union (ACDAC) whose bill of petitions is going to be resolved by arbitration since it was not possible direct agreement. It is expected to know arbitration results during 2013. Flight attendants' union (ACAV), whose bill of petitions is going to be resolved by arbitration since it was not possible a direct agreement. It is expected to know arbitration results during 2013.

The industry union in Colombia (SINTRATAC) was created in August, 2010. During the flight attendants union negotiations, SINTRATAC received more affiliates and presented a bill of petitions on November 23, 2011. Negotiations were held without agreement, so arbitration is in process. Mechanics Union in Colombia (ACMA) which presented a bill of petitions along with Industry Union negotiations without agreement, so arbitration is in process.

Typically, collective bargaining agreements in Colombia have terms of two to four years. Although Copa Colombia usually settles many of its collective bargaining agreement negotiations through arbitration proceedings, it has traditionally experienced good relations with its unions.

Additional to Unions in Panama and Colombia, the Company's employees in Brazil are covered by industry union agreements that cover all airline industry employees in the country; employees in Uruguay are covered by an industry union; airport employees in Buenos Aires, Argentina are affiliated to an industry union (UPADEP); and airport employees in Puerto Rico are affiliated to an industry union (IAM).

26. Commitments and contingencies (continued)

Lines of Credit for Working Capital and Letters of Credit

The Company maintained available facilities for letters of credit with several banks with a value of \$29.1 million and \$33.7 million at December 31, 2012 and 2011, respectively. These letters of credit are pledged mainly for operating lessors, maintenance providers and airport operators. Of this total, \$3.4 million are letters of credit opened on behalf of Copa Colombia for the same purposes listed above.

Copa Airlines has lines of credit at total amount of \$150.5 million, in which it has committed lines of credit totaling \$60.0 million, including one line of credit for \$15 million and one overdraft line of credit of \$5 million with Banco General, an overdraft line of credit of \$10 million with Towerbank and a line of credit of \$30 million with Banco Nacional de Panamá. Copa Airlines also has uncommitted lines of credit totaling \$90.5 million, including one line of credit of \$60.0 million with Bladex, a line of credit of \$20 million with Citibank and one line of credit of \$10.5 million with Banco Panama. These lines of credit have been put in place to bridge liquidity gaps and for other potential contingencies. Aerorepublica has an uncommitted line of credit of \$10 million with Citibank.

As of December 31, 2012 Copa Airlines has an outstanding balance of \$15 million dollars with Bladex.

Litigation

The Company is the plaintiffs in an action filed against INFRAERO, Brazil's airport operator, in October of 2003 challenging the legality of the Additional Airport Tariffs (*Adicional das Tarifas Aeroportuárias*, or ATAERO), which is a 50% surcharge imposed on all airlines which fly to Brazil. Similar suits have been filed against INFRAERO by other major airline carriers. In its case, the court of first instance ruled in favor of INFRAERO and has appealed the judgment. During the pendency of the litigation, the Company continues to pay the amounts of ATAERO due into an escrow account and as of December 31, 2012, the aggregate amount in such account totaled US\$18 million. In the event the Company receives a final unfavorable judgment, it will be required to release the escrowed fund to INFRAERO and will not be able to recover such amounts. The Company does not, however, expect the release of such amounts to have a material impact on its financial results.

27. Objectives and policies for managing financial risk

27.1 Fuel price risk

In the normal course of its operations, the Company is exposed to a variety of financial risks: market risk (especially cash flow, currency, commodity price and interest rate risk), credit risk and liquidity risk. The Company has established risk management policies to minimize potential adverse effects on the Company's financial performance.

Also the Company has risks that are common in its industry and these are mitigated through derivatives contracts. The main risk associated with the industry is the variation in fuel prices, which the Company mitigates through derivatives instruments contracts.

The Company periodically enters into transactions for derivative financial instruments, namely, fuel derivative instruments, with the purpose of providing for short to mid-term hedge protection (generally three to eighteen months) against sudden and significant increases in jet fuel prices, while simultaneously ensuring that the Company is not competitively disadvantaged in the event of a substantial decrease in the price of jet fuel. The Company does not hold or issue derivative financial instruments for trading purposes.

The Company's derivative contracts did not qualify as hedges for financial reporting purposes. Accordingly, changes in fair value of such derivative contracts, which amounted to \$9.9 million, \$3.5 million and \$11.7 millions in years 2012, 2011 and 2010, respectively, were recorded as a component of "Other, net" in the consolidated statement of income.

The fair value of derivative contracts amounted to \$9 and \$(0.4) million at December 31, 2012 and \$18.6; \$(0.4) million at December 31, 2011 and was recorded in "Other current assets" and "Other current liabilities" in the consolidated statement of financial position. The Company's purchases of jet fuel are made substantially from one supplier.

At December 31, 2012, the Company held derivative instruments for 28% of its projected fuel consumption for 2013, in comparison with 20% of its 2012 fuel expense.

Financial derivative instruments expose the Company to credit loss in the event of nonperformance by the counterparties to the agreements. However, the Company does not expect any failure of the counterparties to meet their obligations, as the Company's policy to manage credit risk is to engage in business with counterparties who are financially stable and well-versed in the matters of energy risk management. The amount of such credit exposure is generally the unrealized gain, if any, in such contracts.

The sensitivity of a possible change in the price of jet fuel, with all other variables held constant, of the Company's income before income taxes if the price of jet fuel were to increase or decrease by 5% would be \$36.3 million in 2012.

27.2 Market risk

Foreign currency risk

Foreign exchange risk is originated when the Company performs transactions and maintains monetary assets and liabilities in currencies that are different from the functional currency of the Company. Assets and liabilities in foreign currency are converted with the exchange rates at the end of the period, except for non-monetary assets and liabilities that are converted at the equivalent cost of the (US\$) United States dollar at the acquisition date and maintain at the historical rate. The results of foreign operations are converted with the average exchange rates that were in place during the period. Earnings and losses deriving from exchange rates are included within "Exchange rate difference" in the consolidated statement of income.

In 2012, approximately 64% of the Company's expenses and 39% of its revenues are denominated in dollars. The rest of revenue and expenses are denominated in currencies of countries the Company flies to, on which the most significant is the Colombian Peso. Generally, the Company's exposure to foreign currency risk is limited to a period of up to two weeks, from the moment that the sale is completed until the funds are repatriated to Panama in dollars.

If the devaluation percentage of the most representatives currencies would have been 5% during 2012 and the remaining market variables were constant, the pretax income would have fallen by \$0.34 million in 2012. The decrease origin would be principally for exchange losses, due to the repatriation of the currency, due to the Company generally maintains more assets than liabilities in foreign currency, basically cash and cash equivalents.

Due to exchange controls in Venezuela, however, the Company often experiences additional delays converting cash generated from its local operations in Venezuela.

27.2 Market risk (continued)

Foreign currency risk (continued)

The following chart summarized the Company's exchange risk exposure (assets and liabilities denominated in foreign currency) at December 31:

	<u>As of December 31, 2012</u>	<u>As of December 31, 2011</u>
Assets		
Cash and cash equivalents	\$ 210,695	\$ 155,303
Accounts receivables, net	69,774	76,384
Prepaid expenses	15,478	11,043
Other assets	108,369	78,695
Total assets	<u>\$ 404,316</u>	<u>\$ 321,425</u>
Liabilities		
Loans	\$ —	\$ 400
Accounts payables suppliers and agencies	50,809	63,366
Accumulated taxes and expenses payables	65,161	42,938
Air traffic liability	9,507	6,797
Other liabilities	21,282	20,779
Total liabilities	<u>146,759</u>	<u>134,280</u>
Net position	<u>\$ 257,557</u>	<u>\$ 187,145</u>

From time to time the Company enters into factoring agreements on receivables outstanding or credit card sales in certain countries.

27.3 Credit risk

The credit risk is originated from cash and cash equivalents, deposits in banks, investments in financial instruments and accounts receivables and consist in the risk that the counterparty could not be capable to fulfill its contracted obligations, causing financial losses to the Company. The Company, to mitigate the credit risk arising from deposit in banks and investments in financial instruments, only conducts business with financial institution that have investment grade of Fitch and Standard & Poor above BBB- with strength and liquidity indicators aligning with or above the market average. Also, for the credit risk originated for commercial accounts receivables, the Company does not consider it is a significant one, since most of the accounts receivables can be easily converted into cash, usually in periods no longer than one month. Accounts receivables from cargo agencies are more likely to be exposed to credit risk, but this is mitigated with the established policies to make sure that the credit sales are to clients with good credit history. Specific credit limits and payment terms have been established according to periodic analysis of the payment capacity of the clients.

A considerable amount of the sales of tickets by the Company are processed through major credit cards, resulting in accounts receivable that are generally short-term, and usually collected before revenue is recognized. The Company considers that the credit risk associated with these accounts receivable is controllable based on the industry's trends and strong policies and procedures established and followed up by the Company.

27.4 Interest rates and cash flow risk

The income and operating cash flow of the Company are substantially independent of changes in interest rates, because the Company does not have significant assets that generate interest except for surplus cash and cash equivalents and short and long-term investments.

The interest rate risk is originated mainly for long term aircraft lease payments. These long term lease payments at variable interest rates expose the Company to cash flow risk. To mitigate the effect of variable cash flows associated to contracted rates and transform them into fixed rates, the Company has entered into one Interest Rates Swap contract to hedge against market rates fluctuations. This interest rates hedge contract has been designated and qualified as cash flow hedge contracts with changes in fair value recorded in "Other current assets" or in "Other current liabilities" in the consolidated statement of financial position and offset in "Accumulated other comprehensive income (loss)".

At December 31, 2012, the fixed interest rates vary from 0.05% to 3.96% and the main floating rate is LIBOR. Gains and losses recognized in the other comprehensive income in equity on interest rate swap contracts as of December 31, 2012 will be continuously released to the consolidated statement of income until the repayment of the debt.

The fair value of the interest rate swap hedge derivative contract amounted to \$5,172 and \$6,464 at December 31, 2012 and 2011 respectively and is recorded as a component of "Other current liabilities" against the "Accumulated other comprehensive income (loss)".

27.4 Interest rates and cash flow risk (continued)

The ineffective portion of this contract, if any, is recognized in the consolidated statement of income as a component of “Other operating expenses”. During these periods there was no ineffectiveness of the hedging contracts.

27.6 Liquidity risk

The Company’s policy requires having sufficient cash to fulfill its obligations. The Company maintains sufficient cash on hand and in banks or equivalents of easy realization into cash. The Company also has credit lines in financial institutions that allow it to withstand potential cash deficit to fulfill its short term commitments.

The table below summarizes the Company’s financial liabilities according to their maturity date. The amounts in the table are the contractual undiscounted cash flows. Balances due within twelve months equal their carrying balances as the impact of discounting is not significant.

	<u>Less than twelve months</u>	<u>1 to 4 years</u>	<u>More than four years</u>
<u>December 31, 2012</u>			
Long term debt	136,268	545,738	524,098
Accounts payable	104,975	—	—
Accounts payable to related parties	20,255	—	—
Air traffic liability	382,807	—	—
Other liabilities	144,385	84,395	—
<u>December 31, 2011</u>			
Long term debt	131,069	354,916	581,741
Accounts payable	92,842	—	—
Accounts payable to related parties	22,074	—	—
Air traffic liability	297,135	—	—
Other liabilities	115,540	80,948	—

27.8 Capital risk management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

Consistent with others in the industry, the Company monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including current and non-current borrowings as shown in the consolidated statement of financial position) less cash and cash equivalents and short-term investments. Total capital is calculated as equity as shown in the consolidated statement of financial position plus net debt.

Following is summarized the gearing ratio of the Company:

	As of December 31, 2012
Total loans payable (Note 14)	\$1,206,104
Less: cash and cash equivalents and short-term investments	(651,103)
Net debt	555,001
Total equity	1,536,544
Total capital	\$2,091,545
Gearing ratio	27%

27.9 Fair value measurement

	Carrying amount		Fair value	
	December 31, 2012	December 31, 2011	December 31, 2012	December 31, 2011
Financial assets				
Cash and cash equivalents	\$ 76,094	\$ 243,801	\$ 76,094	\$ 243,801
Short term investments	\$ 575,009	\$ 262,345	\$ 575,009	\$ 262,345
Investments	\$ 69,445	\$ 104,834	\$ 69,445	\$ 104,834
Accounts receivable	\$ 135,207	\$ 142,297	\$ 135,207	\$ 142,297
Fuel derivatives	\$ 8,991	\$ 18,605	\$ 8,991	\$ 18,605
Financial liabilities				
Accounts payable	\$ 104,975	\$ 92,842	\$ 104,975	\$ 93,457
Current maturities and long-term debt	\$1,206,104	\$1,067,726	\$1,275,982	\$1,143,047
Fuel derivatives	\$ 417	\$ 366	\$ 417	\$ 366
Interest rate hedges	\$ 5,172	\$ 6,464	\$ 5,172	\$ 6,464

The fair value of the financial assets and liabilities is included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The following methods and assumptions were used to estimate the fair values:

- Cash and cash equivalents, short term investments approximate their carrying amounts largely due to the short-term maturities of these instruments.
- Accounts receivable are evaluated by the Company based on parameters such as interest rates, risk characteristics. Based on this evaluation, allowances are taken to account for the expected losses of these receivables.
- Debts obligation, financial assets and financial liabilities are estimated by discounting future cash flows using the Company's current incremental rate of borrowing for a similar liability.

27.10 Fair value measurement (continued)

Fair value measurement is classified entirely following the hierarchy level of fair value that was included in IFRS 7 *Financial Instruments: Disclosures*; as following:

Level 1: Quoted prices (unadjusted) in active markets for identical assets and liabilities.

Level 2: Inputs other than quoted prices including within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is derived from prices).

Level 3: Inputs for the asset or liability that is not based on observable market data (that is unobservable inputs).

The following chart summarizes the Company's financial instruments measured at fair value, classified according to the valuation method:

Description	<i>Fair Value Measurement at Reporting Date</i>			
	2012	Level 1	Level 2	Level 3
Assets				
Fuel derivatives	8,991	—	8,991	—
Total assets	<u>8,991</u>	<u>—</u>	<u>8,991</u>	<u>—</u>
Liabilities				
Interest rates hedges	5,172	—	5,172	—
Fuel derivatives	417	—	417	—
Total liabilities	<u>5,589</u>	<u>—</u>	<u>5,589</u>	<u>—</u>

28. Subsequent events

Stock Grants

During first quarter of 2013, the Compensation Committee of the Company's Board of Directors approved three (3) new awards. Awards were granted under these new plans for approximately 43,685 shares of non-vested stock, which will vest over a period of three (3) to five (5) years. The Company estimates the fair value of these awards to be approximately \$4.5 million and the 2013 compensation cost for these plans is \$1.5 million.

Currency devaluation

On February 8, 2013, the Venezuelan government announced its decision to devalue its currency. Since the previous devaluation in January of 2010, the official exchange rate for all non-essential imported goods and services, including the aviation sector, had been fixed at VEB 4.30 per U.S. dollar. Under the new regime, the official exchange rate will be VEB 6.30 per U.S. dollar.

On Wednesday, February 13, 2013, the Venezuelan government announced that it would continue to apply the exchange rate of VEB 4.30 per U.S. dollar to all authorization requests pending approval by the Venezuela Central Bank through February 8, 2013. As a result, approximately 93% of our cash balance in Venezuela as of December 31, 2012 will be honored at the previous exchange rate, which was in effect when these authorization requests were submitted.

The Company incurred losses related to the devaluation of our cash balance of US\$13.9 million, which were recorded in the first quarter of 2013.

29. Segment reporting

Information concerning operating revenue by principal geographic area for the period ended December 31 is as follows (in millions):

	<u>2012</u>	<u>2011</u>	<u>2010</u>
North America	\$ 375.4	\$ 308.9	\$ 215.3
Central America and Caribbean	240.6	241.0	208.2
Colombia	299.4	270.7	245.0
Brazil	327.4	230.7	135.4
Venezuela	257.3	178.5	123.0
Others South America	483.3	380.3	281.0
Panama	265.9	220.8	206.9
	<u>\$2,249.3</u>	<u>\$1,830.9</u>	<u>\$1,414.8</u>

Copa Holdings, S. A. and Subsidiaries
Notes to the consolidated financial statements
December 31, 2012
(In US\$ thousands)

We attribute revenue among the geographical areas based upon point of sales. Our tangible assets and capital expenditures consist primarily of flight and related ground support equipment, which is mobile across geographic markets and, therefore, has not been allocated.

Certification

I, Pedro Heilbron, certify that:

1. I have reviewed this annual report on Form 20-F/A of Copa Holdings, S.A.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report;
4. The company's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the company and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting; and
5. The company's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of the company's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the company's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the company's internal control over financial reporting.

Date: July 25, 2013

/s/ Pedro Heilbron
Pedro Heilbron
Chief Executive Officer

(Section 302 CEO Certification)

Certification

I, Jose Montero, certify that:

1. I have reviewed this annual report on Form 20-F/A of Copa Holdings, S.A.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report;
4. The company's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the company and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting; and
5. The company's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of the company's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the company's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the company's internal control over financial reporting.

Date: July 25, 2013

/s/ Jose Montero

Jose Montero
Chief Financial Officer

(Section 302 CFO Certification)

Certification
Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
(Subsections (a) and (b) of Section 1350, Chapter 63 of Title 18, United States Code)

Pursuant to section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of section 1350, chapter 63 of title 18, United States Code), each of the undersigned officers of Copa Holdings, S.A. (the "Company"), does hereby certify, to such officer's knowledge, that:

The Annual Report on Form 20-F/A for the year ended December 31, 2012 of the Company fully complies with the requirements of section 13(a) or section 15(d) of the Securities Exchange Act of 1934 and information contained in the Form 20-F/A fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: July 25, 2013

/s/ Pedro Heilbron

Pedro Heilbron

Chief Executive Officer

(Section 906 CEO Certification)

Certification
Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
(Subsections (a) and (b) of Section 1350, Chapter 63 of Title 18, United States Code)

Pursuant to section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of section 1350, chapter 63 of title 18, United States Code), each of the undersigned officers of Copa Holdings, S.A. (the “Company”), does hereby certify, to such officer’s knowledge, that:

The Annual Report on Form 20-F/A for the year ended December 31, 2012 of the Company fully complies with the requirements of section 13(a) or section 15(d) of the Securities Exchange Act of 1934 and information contained in the Form 20-F/A fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: July 25, 2013

/s/ Jose Montero

Jose Montero
Chief Financial Officer

(Section 906 CFO Certification)